

**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

**NEWS RELEASE**

FOR RELEASE March 24, 2016 (7:00pm)

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Van Meter, Iowa.

The City's receipts totaled \$1,382,069 for the year ended June 30, 2015, a 47.9% decrease from the prior year. The receipts included \$407,827 in property tax, \$238,401 from tax increment financing, \$526,151 from charges for service, \$201,111 from operating grants, contributions and restricted interest, \$5,348 from unrestricted interest on investments and \$3,231 from commercial/industrial tax replacement.

Disbursements for the year ended June 30, 2015 totaled \$1,264,958, a 49.1% decrease from the prior year, and included \$213,083 for general government, \$191,053 for public works and \$156,945 for public safety. Also, disbursements for business type activities totaled \$296,674.

The significant decrease in receipts and disbursements is due primarily to bond proceeds and grants received and disbursed for various capital projects and to refund debt in the prior year.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1521-0239-B00F.pdf>.

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**CITY OF VAN METER**

**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2015**

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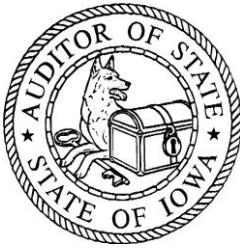
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**City of Van Meter**

**Officials**

| <u>Name</u>     | <u>Title</u>                  | <u>Term Expires</u> |
|-----------------|-------------------------------|---------------------|
| Allan Adams     | Mayor                         | Jan 2016            |
| Kimberly Sacker | Mayor Pro tem                 | Jan 2016            |
| Bob Lacy        | Council Member                | Jan 2016            |
| Mike Peterson   | Council Member                | Jan 2018            |
| Owen Stump      | Council Member                | Jan 2018            |
| Elizabeth Tweed | Council Member                | Jan 2018            |
| Jake Anderson   | City Administrator/City Clerk | Indefinite          |
| Liz Thompson    | Deputy Clerk                  | Indefinite          |
| Erik Fisk       | Attorney                      | Indefinite          |

**City of Van Meter**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Van Meter, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Van Meter as of June 30, 2015, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

## Emphasis of a Matter

As discussed in Note 4, the City of Van Meter adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

## Other Matters

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Van Meter's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2014 (which is not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 9 through 14 and 34 through 41, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 8, 2016 on our consideration of the City of Van Meter's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Van Meter's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 8, 2016

**City of Van Meter**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Van Meter provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 53%, or approximately \$1,205,000, from fiscal year 2014. Capital grants, contributions and restricted interest decreased approximately \$119,000, primarily due to the City not receiving a similar right-of-way grant in fiscal year 2015, and local option sales tax decreased approximately \$90,000 due to it ending in fiscal year 2014. In addition, bond proceeds decreased \$995,000 as no new bonds were issued during fiscal year 2015.
- Disbursements of the City's governmental activities decreased 52%, or approximately \$1,050,000, in fiscal year 2015 from fiscal year 2014. Debt service, public works and capital projects disbursements decreased approximately \$437,000, \$172,000 and \$394,000, respectively. The large decrease in disbursements is primarily due to the City refunding three general obligation debt issuances, as well as substantially completing a large sewer project, a sidewalk project and recreation projects during the prior year.
- The City's total cash basis net position increased 11%, or \$117,111, from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of governmental activities increased \$101,921 and the cash basis net position of business type activities increased \$15,190.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

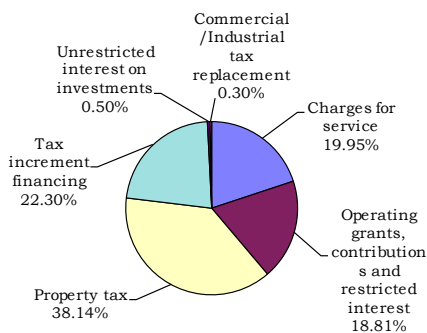
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

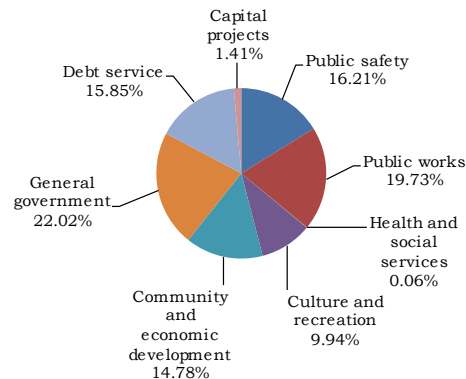
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$972,000 to approximately \$1,074,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

| Changes in Cash Basis Net Position of Governmental Activities |                     |           |
|---|---------------------|-----------|
| (Expressed in Thousands)                                      |                     |           |
|   | Year ended June 30, |           |
|   | 2015                | 2014      |
| <b>Receipts:</b>  |                     |           |
| Program receipts:   |                     |           |
| Charges for service   | \$ 213,255          | 133,086   |
| Operating grants, contributions and restricted interest       | 201,111             | 290,867   |
| Capital grants, contributions and restricted interest         | -                   | 118,856   |
| General receipts:   |                     |           |
| Property tax  | 407,827             | 420,233   |
| Tax increment financing                                       | 238,401             | 197,761   |
| Local option sales tax  | -                   | 90,412    |
| Unrestricted interest on investments                          | 5,348               | 5,348     |
| Commercial/industrial tax replacement                         | 3,231               | -         |
| Miscellaneous   | -                   | 22,528    |
| Bond proceeds   | -                   | 995,000   |
| Total receipts  | 1,069,173           | 2,274,091 |
| <b>Disbursements:</b>   |                     |           |
| Public safety   | 156,945             | 156,002   |
| Public works  | 191,053             | 362,578   |
| Health and social services                                    | 600                 | -         |
| Culture and recreation  | 96,280              | 175,079   |
| Community and economic development                            | 143,159             | 190,105   |
| General government  | 213,083             | 136,818   |
| Debt service  | 153,483             | 590,200   |
| Capital projects  | 13,681              | 407,558   |
| Total disbursements   | 968,284             | 2,018,340 |
| Change in cash basis net position before transfers            | 100,889             | 255,751   |
| Transfers, net  | 1,032               | (23,393)  |
| Change in cash basis net position                             | 101,921             | 232,358   |
| Cash basis net position beginning of year                     | 972,257             | 739,899   |
| Cash basis net position end of year                           | \$ 1,074,178        | 972,257   |

**Receipts by Source**



**Disbursements by Function**



The City's total receipts for governmental activities decreased 53%, or approximately \$1,205,000, from the prior year. The total cost of all programs and services decreased approximately \$1,050,000, or 52%, from the prior year with no new programs added this year. The significant decrease in receipts was primarily the result of the City not issuing bonds in fiscal year 2015 as well as the local option sales tax ending in fiscal year 2014 and the City did not receive a right-of-way grant similar to the one received in the previous year.

The cost of all governmental activities this year was approximately \$968,000 compared to approximately \$2,018,000 last year. However, as shown in the Statement of Activities and Net Position on pages 16-17, the amount taxpayers ultimately financed for these activities was approximately \$554,000 because some of the cost was paid by those directly benefited from the programs (approximately \$213,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$201,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest and commercial/industrial tax replacement. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2015 from approximately \$543,000 to approximately \$414,000, principally due to not receiving a right-of-way grant similar to the one received in the previous year.

| Changes in Cash Basis Net Position of Business Type Activities |                     |                |
|--|---------------------|----------------|
| (Expressed in Thousands)                                       |                     |                |
|  | Year ended June 30, |                |
|  | 2015                | 2014           |
| Receipts:  |                     |                |
| Program receipts:  |                     |                |
| Charges for service:   |                     |                |
| Water  | \$ 180,789          | 179,834        |
| Sewer  | 132,107             | 124,804        |
| General receipts:  |                     |                |
| Miscellaneous  | -                   | 72,006         |
| Total receipts   | <u>312,896</u>      | <u>376,644</u> |
| Disbursements:   |                     |                |
| Water  | 168,660             | 152,110        |
| Sewer  | 128,014             | 312,762        |
| Total disbursements  | <u>296,674</u>      | <u>464,872</u> |
| Change in cash basis net position before transfers             | 16,222              | (88,228)       |
| Transfers, net   | (1,032)             | 23,393         |
| Change in cash basis net position                              | 15,190              | (64,835)       |
| Cash basis net position beginning of year                      | 128,573             | 193,408        |
| Cash basis net position end of year                            | <u>\$ 143,763</u>   | <u>128,573</u> |

The City's cash balance for business type activities increased from \$128,573 to \$143,763. The increase was a result of a decrease in disbursements for improvements to the sewer system.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Van Meter completed the year, its governmental funds reported a combined fund balance of \$1,074,178, an increase of \$101,921 above last year's total of \$972,257. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$16,636 from the prior year to \$145,061, primarily due to the City entering into a lease purchase agreement for the Bob Feller Museum and making renovations to the building to provide space for City Hall to operate from the museum. The disbursements for the renovations were recorded in the general government function.
- The Special Revenue, Road Use Tax Fund cash balance increased \$13,181 to \$75,898. This increase was due to a decrease in street maintenance work in fiscal year 2015.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased \$60,907 to \$302,098. These resources will be used to pay certified TIF indebtedness.
- The Debt Service Fund cash balance decreased \$12,432 to \$(13,464). The fund is in deficit at year end. The decrease is primarily due to the City not transferring tax increment financing prior to the debt payment coming due.
- The Capital Projects Fund cash balance decreased \$13,610 to \$184,214. The decrease is primarily due to ongoing capital projects.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Water Fund cash balance increased \$11,097 to \$131,390, due primarily to an increase in water collections slightly exceeding operating disbursements. \$37,710 of the cash balance is restricted for capital projects.
- The Enterprise, Sewer Fund cash balance increased \$4,093 to \$12,373, due primarily to an increase in sewer collections.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on May 11, 2015 and resulted in an increase in budgeted operating disbursements of \$128,020, primarily related to the lease purchase agreement and renovations of the Bob Feller Museum.

The City's receipts were \$337,455 more than budgeted. This was primarily due to the City receiving more tax increment financing and charges for service receipts than anticipated.

The City's disbursements were \$17,818 more than the amended budget.

Even with the budget amendment, the City exceeded the amounts budgeted in the community and economic development, general government, debt service, capital projects and business type activities functions for the year ended June 30, 2015 due to increased disbursements for general operations.

## DEBT ADMINISTRATION

At June 30, 2015, the City had \$1,240,000 of bonds outstanding and \$29,000 of lease-purchase agreement debt outstanding, compared to \$1,345,000 of bonds outstanding last year, as shown below.

|                          | Outstanding Debt at Year-End |           |
|--------------------------|------------------------------|-----------|
|                          | June 30,                     |           |
|                          | 2015                         | 2014      |
| General obligation bonds | \$ 1,240,000                 | 1,345,000 |
| Lease purchase agreement | 29,000                       | -         |
| Total                    | \$ 1,269,000                 | 1,345,000 |

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt of \$1,348,708 (including \$79,708 of annually appropriated developer agreements) is significantly below its constitutional debt limit of approximately \$3 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Van Meter's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment as of September 2015 for Dallas County stands at 2.6%, which compares with the State's unemployment rate of 3.6% and the national unemployment rate of 5.1%.

These indicators were taken into account when adopting the budget for fiscal year 2016. Amounts available for appropriation in the operating budget are approximately \$2,000,000, an increase of 11% from the final fiscal year 2015 budget. The increase is due to the City leasing City property for cell tower rent in fiscal year 2016. There are no debt issuances budgeted in fiscal year 2016. Budgeted disbursements are expected to decrease approximately \$33,000 from the final fiscal year 2015 budget. The City has added no major new programs or initiatives to the fiscal year 2016 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$93,000 by the close of fiscal year 2016.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jake Anderson, City Administrator, 505 Grant Street, P.O. Box 160, Van Meter, Iowa 50261.



## **Basic Financial Statements**

City of Van Meter

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

|   | Disbursements | Program Receipts    |   |
|---|---------------|---------------------|---|
|   |               | Charges for Service | Operating Grants, Contributions and Restricted Interest |
| <b>Functions/Programs:</b>                |               |                     |   |
| Governmental activities:                  |               |                     |   |
| Public safety                             | \$ 156,945    | 71,975              | 67,140  |
| Public works                              | 191,053       | 108,460             | 105,668   |
| Health and social services                | 600           | -                   | -   |
| Culture and recreation                    | 96,280        | 9,977               | 28,303  |
| Community and economic development        | 143,159       | -                   | -   |
| General government                        | 213,083       | 22,843              | -   |
| Debt service                              | 153,483       | -                   | -   |
| Capital projects                          | 13,681        | -                   | -   |
| Total governmental activities             | 968,284       | 213,255             | 201,111   |
| Business type activities:                 |               |                     |   |
| Water                                     | 168,660       | 180,789             | -   |
| Sewer                                     | 128,014       | 132,107             | -   |
| Total business type activities            | 296,674       | 312,896             | -   |
| Total                                     | \$ 1,264,958  | 526,151             | 201,111   |
| <b>General Receipts and Transfers:</b>    |               |                     |   |
| Property and other city tax levied for:   |               |                     |   |
| General purposes                          |               |                     |   |
| Debt service                              |               |                     |   |
| Tax increment financing                   |               |                     |   |
| Unrestricted interest on investments      |               |                     |   |
| Commercial/industrial tax replacement     |               |                     |   |
| Transfers                                 |               |                     |   |
| Total general receipts and transfers      |               |                     |   |
| Change in cash basis net position         |               |                     |   |
| Cash basis net position beginning of year |               |                     |   |
| Cash basis net position end of year       |               |                     |   |
| <b>Cash Basis Net Position</b>            |               |                     |   |
| Restricted:                               |               |                     |   |
| Nonexpendable:                            |               |                     |   |
| Cemetery perpetual care                   |               |                     |   |
| Expendable:                               |               |                     |   |
| Streets                                   |               |                     |   |
| Urban renewal purposes                    |               |                     |   |
| Capital projects                          |               |                     |   |
| Other purposes                            |               |                     |   |
| Unrestricted                              |               |                     |   |
| <b>Total cash basis net position</b>      |               |                     |   |

See notes to financial statements.

Net (Disbursements) Receipts and  
Changes in Cash Basis Net Position

| Governmental<br>Activities | Business Type<br>Activities | Total            |
|----------------------------|-----------------------------|------------------|
| (17,830)                   | -                           | (17,830)         |
| 23,075                     | -                           | 23,075           |
| (600)                      | -                           | (600)            |
| (58,000)                   | -                           | (58,000)         |
| (143,159)                  | -                           | (143,159)        |
| (190,240)                  | -                           | (190,240)        |
| (153,483)                  | -                           | (153,483)        |
| (13,681)                   | -                           | (13,681)         |
| <u>(553,918)</u>           | <u>-</u>                    | <u>(553,918)</u> |
| -                          | 12,129                      | 12,129           |
| -                          | 4,093                       | 4,093            |
| <u>-</u>                   | <u>16,222</u>               | <u>16,222</u>    |
| <u>(553,918)</u>           | <u>16,222</u>               | <u>(537,696)</u> |
| 323,239                    | -                           | 323,239          |
| 84,588                     | -                           | 84,588           |
| 238,401                    | -                           | 238,401          |
| 5,348                      | -                           | 5,348            |
| 3,231                      | -                           | 3,231            |
| 1,032                      | (1,032)                     | -                |
| <u>655,839</u>             | <u>(1,032)</u>              | <u>654,807</u>   |
| 101,921                    | 15,190                      | 117,111          |
| 972,257                    | 128,573                     | 1,100,830        |
| <u>\$ 1,074,178</u>        | <u>143,763</u>              | <u>1,217,941</u> |
| \$ 20,350                  | -                           | 20,350           |
| 75,898                     | -                           | 75,898           |
| 302,098                    | -                           | 302,098          |
| 184,214                    | 37,710                      | 221,924          |
| 360,021                    | -                           | 360,021          |
| 131,597                    | 106,053                     | 237,650          |
| <u>\$ 1,074,178</u>        | <u>143,763</u>              | <u>1,217,941</u> |

City of Van Meter

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2015

|   | Special Revenue |                    |                                   |
|---|-----------------|--------------------|-----------------------------------|
|   | General         | Road<br>Use<br>Tax | Urban<br>Renewal<br>Tax Increment |
| Receipts:   |                 |                    |                                   |
| Property tax  | \$ 225,072      | -                  | -                                 |
| Tax increment financing                                       | -               | -                  | 238,401                           |
| Other city tax  | 13,681          | -                  | -                                 |
| Licenses and permits  | 70,737          | -                  | -                                 |
| Use of money and property                                     | 5,348           | 22                 | -                                 |
| Intergovernmental   | 49,518          | 105,646            | -                                 |
| Charges for service   | 108,460         | -                  | -                                 |
| Miscellaneous   | 44,788          | -                  | -                                 |
| Total receipts  | 517,604         | 105,668            | 238,401                           |
| Disbursements:  |                 |                    |                                   |
| Operating:  |                 |                    |                                   |
| Public safety   | 129,812         | -                  | -                                 |
| Public works  | 87,323          | 92,416             | -                                 |
| Health and social services                                    | 600             | -                  | -                                 |
| Culture and recreation  | 20,896          | -                  | -                                 |
| Community and economic development                            | 20,566          | -                  | 122,593                           |
| General government  | 201,968         | -                  | -                                 |
| Debt service  | -               | -                  | -                                 |
| Capital projects  | -               | -                  | -                                 |
| Total disbursements   | 461,165         | 92,416             | 122,593                           |
| Excess (deficiency) of receipts<br>over (under) disbursements | 56,439          | 13,252             | 115,808                           |
| Other financing sources (uses):                               |                 |                    |                                   |
| Transfers in  | 10,000          | -                  | -                                 |
| Transfers out   | (83,075)        | (71)               | (54,901)                          |
| Total other financing sources (uses)                          | (73,075)        | (71)               | (54,901)                          |
| Change in cash balances                                       | (16,636)        | 13,181             | 60,907                            |
| Cash balances beginning of year                               | 161,697         | 62,717             | 241,191                           |
| Cash balances end of year                                     | \$ 145,061      | 75,898             | 302,098                           |
| <b>Cash Basis Fund Balances</b>                               |                 |                    |                                   |
| Nonspendable - Cemetary perpetual care                        | \$ -            | -                  | -                                 |
| Restricted for:   |                 |                    |                                   |
| Streets   | -               | 75,898             | -                                 |
| Urban renewal purposes  | -               | -                  | 302,098                           |
| Capital projects  | -               | -                  | -                                 |
| Other purposes  | -               | -                  | -                                 |
| Unassigned  | 145,061         | -                  | -                                 |
| Total cash basis fund balances                                | \$ 145,061      | 75,898             | 302,098                           |

See notes to financial statements.

| Debt Service | Capital Projects | Nonmajor | Total     |
|--------------|------------------|----------|-----------|
| 80,949       | -                | 79,610   | 385,631   |
| -            | -                | -        | 238,401   |
| 3,639        | -                | 4,876    | 22,196    |
| -            | -                | -        | 70,737    |
| -            | -                | 16       | 5,386     |
| 530          | -                | 5,025    | 160,719   |
| -            | -                | 300      | 108,760   |
| -            | -                | 32,555   | 77,343    |
| 85,118       | -                | 122,382  | 1,069,173 |
| -            | -                | 27,133   | 156,945   |
| -            | -                | 11,314   | 191,053   |
| -            | -                | -        | 600       |
| -            | -                | 75,384   | 96,280    |
| -            | -                | -        | 143,159   |
| -            | -                | 11,115   | 213,083   |
| 153,483      | -                | -        | 153,483   |
| -            | 13,681           | -        | 13,681    |
| 153,483      | 13,681           | 124,946  | 968,284   |
| (68,365)     | (13,681)         | (2,564)  | 100,889   |
| 55,933       | 71               | 136,869  | 202,873   |
| -            | -                | (63,794) | (201,841) |
| 55,933       | 71               | 73,075   | 1,032     |
| (12,432)     | (13,610)         | 70,511   | 101,921   |
| (1,032)      | 197,824          | 309,860  | 972,257   |
| (13,464)     | 184,214          | 380,371  | 1,074,178 |
| -            | -                | 20,350   | 20,350    |
| -            | -                | -        | 75,898    |
| -            | -                | -        | 302,098   |
| -            | 184,214          | -        | 184,214   |
| -            | -                | 360,021  | 360,021   |
| (13,464)     | -                | -        | 131,597   |
| (13,464)     | 184,214          | 380,371  | 1,074,178 |

**City of Van Meter**

City of Van Meter

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2015

|  | Enterprise |         |         |
|--|------------|---------|---------|
|  | Water      | Sewer   | Total   |
| Operating receipts:  |            |         |         |
| Charges for service  | \$ 180,789 | 132,107 | 312,896 |
| Operating disbursements:                                     |            |         |         |
| Business type activities                                     | 168,660    | 128,014 | 296,674 |
| Excess of operating receipts<br>over operating disbursements | 12,129     | 4,093   | 16,222  |
| Transfers out  | (1,032)    | -       | (1,032) |
| Change in cash balances                                      | 11,097     | 4,093   | 15,190  |
| Cash balances beginning of year                              | 120,293    | 8,280   | 128,573 |
| Cash balances end of year                                    | \$ 131,390 | 12,373  | 143,763 |
| <b>Cash Basis Fund Balances</b>                              |            |         |         |
| Restricted for capital projects                              | \$ 37,710  | -       | 37,710  |
| Unrestricted   | 93,680     | 12,373  | 106,053 |
| Total cash basis fund balances                               | \$ 131,390 | 12,373  | 143,763 |

See notes to financial statements.

City of Van Meter

Notes to Financial Statements

June 30, 2015

**(1) Summary of Significant Accounting Policies**

The City of Van Meter is a political subdivision of the State of Iowa located in Dallas County. It was first incorporated in 1868 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Van Meter has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Van Meter (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational financial relationship with the City.

Blended Component Unit

The Van Meter Firefighters Association (Association) was established as a non-profit corporation in accordance with Chapter 504A of the Code of Iowa. The Association is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. Although the Association is legally separate from the City, its purpose is to benefit the City of Van Meter (the primary government) by soliciting contributions and managing those funds.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dallas County Assessor's Conference Board, Dallas County Emergency Management Commission and Dallas County Joint E911 Service Board.



B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the community and economic development, general government, debt service, capital projects and business type activities functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$259,699 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City's investment in the Iowa Public Agency Investment Trust is unrated.

**(3) Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds are as follows:

| Year Ending<br>June 30, | Principal    | Interest | Total     |
|-------------------------|--------------|----------|-----------|
| 2016                    | \$ 105,000   | 44,753   | 149,753   |
| 2017                    | 105,000      | 42,177   | 147,177   |
| 2018                    | 135,000      | 39,478   | 174,478   |
| 2019                    | 90,000       | 35,807   | 125,807   |
| 2020                    | 55,000       | 33,037   | 88,037    |
| 2021-2025               | 315,000      | 136,200  | 451,200   |
| 2026-2030               | 290,000      | 73,275   | 363,275   |
| 2031-2033               | 145,000      | 13,063   | 158,063   |
| Total                   | \$ 1,240,000 | 417,790  | 1,657,790 |

Lease-Purchase Agreement

On July 14, 2014, the City entered into an interest free lease-purchase agreement for the Bob Feller Museum. The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreement in effect at June 30, 2015:

| Year Ending<br>June 30,      | Amount    |
|------------------------------|-----------|
| 2016                         | \$ 12,000 |
| 2017                         | 12,000    |
| 2018                         | 5,000     |
| Total minimum lease payments | \$ 29,000 |

Payments under this lease-purchase agreement totaled \$10,000 during the year ended June 30, 2015.

**(4) Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Protection occupation members may retire at normal retirement age, which is generally at age 55. The formula used to calculate a protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of pay and the City contributed 8.93% for a total rate of 14.88%. Protective occupation members contributed 6.76% of pay and the City contributed 10.14% for a total rate of 16.80%.

The City's contributions to IPERS for the year ended June 30, 2015 were \$28,059.

Collective Net Pension Liability, Collective Pension Expense, Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$139,339. The collective net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.003513%, which was an increase of 0.000323% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City's collective pension expense, collective deferred outflows of resources and collective deferred inflows of resources totaled \$12,438, \$8,328 and \$70,720, respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|  |   |
|--|---|
| Rate of Inflation<br>(effective June 30, 2014)         | 3.00% per annum.  |
| Salary increases<br>(effective June 30, 2010)          | 4.00 to 17.00% average, including inflation.<br>Rates vary by membership group. |
| Investment rate of return<br>(effective June 30, 1996) | 7.50% net of investment expense,<br>including inflation.                        |

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class            | Asset Allocation | Long-Term Expected Real Rate of Return |
|------------------------|------------------|--|
| US Equity              | 23%              | 6.31%                                  |
| Non US Equity          | 15               | 6.76                                   |
| Private Equity         | 13               | 11.34                                  |
| Real Estate            | 8                | 3.52                                   |
| Core Plus Fixed Income | 28               | 2.06                                   |
| Credit Opportunities   | 5                | 3.67                                   |
| TIPS                   | 5                | 1.92                                   |
| Other Real Assets      | 2                | 6.27                                   |
| Cash                   | 1                | (0.69)                                 |
| Total                  | 100%             |  |

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

|  | 1%<br>Decrease<br>(6.50%) | Discount<br>Rate<br>(7.50%) | 1%<br>Increase<br>(8.50%) |
|--|---------------------------|-----------------------------|---------------------------|
| City's proportionate share of<br>the net pension liability | \$ 298,807                | \$ 139,339                  | \$ 4,766                  |

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**(5) Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 6 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$380 for single coverage and \$1,181 for family coverage. The same monthly premiums would apply to retirees. For the year ended June 30, 2015, the City contributed \$49,329 and plan members eligible for benefits did not contribute to the plan.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2015, primarily relating to the General Fund, is \$11,600 for vacation and \$30 for compensatory time. These liabilities have been computed based on rates of pay in effect at June 30, 2015.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

| Transfer to                                 | Transfer from                                   | Amount                   |
|---|---|--------------------------|
| General                                     | Special Revenue:<br>Emergency                   | \$ 10,000                |
| Special Revenue:<br>VM Community Betterment | General   | 500                      |
| Library Trust                               | General   | 82,575                   |
| Park Subdivision Trust                      | Special Revenue:<br>Local Option Sales Tax      | 53,794                   |
| Debt Service                                | Special Revenue:<br>Urban Renewal Tax Increment | 54,901                   |
|   | Enterprise:<br>Water Main Project               | 1,032                    |
|   |   | <u>55,933</u>            |
| Capital Projects                            | Special Revenue:<br>Road Use Tax                | 71                       |
| Total                                       |   | <u><u>\$ 202,873</u></u> |

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(8) Development Agreements**

The City entered into two development agreements to assist in urban renewal projects, as follows:

The City agreed to make payments to the developer under Chapters 15A and 403 of the Code of Iowa. The total to be paid by the City under this agreement is not to exceed the lesser of the amount of the developer's improvement costs or \$250,000. Each payment represents the incremental property tax received by the City with respect to the incremental value of the property, reduced by the minimum amount required by section 403.22 of the Code of Iowa. The low and moderate income set aside amount shall be retained by the City for the purpose of providing assistance to low and moderate income families. During the year ended June 30, 2015, \$14,797 was rebated to the developer. The outstanding balance on this agreement at June 30, 2015 is \$156,829, which is subject to annual appropriation.

The City agreed to assist in urban renewal projects for the development of improvements to the sanitary sewer, water utility and street systems. The developer proposed to pay the initial costs of constructing the project improvements provided the City agreed to provide tax increment financing assistance to the developer to repay the costs over time. The City agreed to make annual payments to the developer under Chapters 15A and 403 of the Code of Iowa. The total to be paid by the City is not to exceed the developer's improvement costs or \$1,300,000. The agreement consists of three phases and the duration of the agreements is ten years for each of the three phases. Each payment represents the incremental property tax received by the City with respect to the incremental value of the property, reduced by the minimum amount required by Section 403.22 of the Code of Iowa. The low and moderate



income set aside amount shall be retained by the City for the purpose of providing assistance to low and moderate income families. During the year ended June 30, 2015, \$93,243 was rebated to the developer. The outstanding balance on this agreement at June 30, 2015 is \$871,405, which is subject to annual appropriation.

**(9) Youth Athletic/Recreation Complex Agreements**

The City entered into an agreement with the Van Meter Community School District (School) on February 24, 2003 pursuant to Chapter 28E of the Code of Iowa to develop and improve a youth athletic/recreation complex. The School agreed to remit certain local option sales tax receipts to the City to be utilized to develop and improve the complex.

On January 12, 2004, the City entered into an agreement with the Van Meter Recreational Foundation (Foundation) to commit all of the funds it receives from the School pursuant to the 28E agreement to reimburse the Foundation for the costs incurred by the Foundation to build the complex.

The Youth Athletic/Recreation Complex dissolved on March 27, 2014 and transferred the complex to the City. The local option sales tax agreement with the School ended at that time as well.

During the year ended June 30, 2015, the City transferred the remaining \$53,794 to the Special Revenue, Park Subdivision Trust Fund to be used to maintain and improve the Youth Athletic/Recreation Complex.

**(10) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(11) Deficit Balance**

The Debt Service Fund had a deficit balance of \$13,464 at June 30, 2015. The deficit balance was a result of tax increment financing collections not transferred to the Debt Service Fund for the payment of principal and interest for the general obligation urban renewal bonds. Transfers will be made to eliminate the deficit balance.

**City of Van Meter**

## **Other Information**

City of Van Meter  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances –  
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2015

|   | Governmental<br>Funds<br>Actual | Proprietary<br>Funds<br>Actual | Less<br>Funds not<br>Required to<br>be Budgeted |
|---|---------------------------------|--------------------------------|---|
| <b>Receipts:</b>  |                                 |                                |   |
| Property tax  | \$ 385,631                      | -                              | -   |
| Tax increment financing   | 238,401                         | -                              | -   |
| Other city tax  | 22,196                          | -                              | -   |
| Licenses and permits  | 70,737                          | -                              | -   |
| Use of money and property   | 5,386                           | -                              | 12  |
| Intergovernmental   | 160,719                         | -                              | -   |
| Charges for service   | 108,760                         | 312,896                        | -   |
| Miscellaneous   | 77,343                          | -                              | 9,572   |
| <b>Total receipts</b>   | <b>1,069,173</b>                | <b>312,896</b>                 | <b>9,584</b>                                    |
| <b>Disbursements:</b>   |                                 |                                |   |
| Public safety   | 156,945                         | -                              | 11,786  |
| Public works  | 191,053                         | -                              | -   |
| Health and social services  | 600                             | -                              | -   |
| Culture and recreation  | 96,280                          | -                              | -   |
| Community and economic development  | 143,159                         | -                              | -   |
| General government  | 213,083                         | -                              | -   |
| Debt service  | 153,483                         | -                              | -   |
| Capital projects  | 13,681                          | -                              | -   |
| Business type activities  | -                               | 296,674                        | -   |
| <b>Total disbursements</b>  | <b>968,284</b>                  | <b>296,674</b>                 | <b>11,786</b>                                   |
| Excess (deficiency) of receipts<br>over (under) disbursements   | 100,889                         | 16,222                         | (2,202)   |
| Other financing sources, net  | 1,032                           | (1,032)                        | -   |
| Excess (deficiency) of receipts and other financing<br>sources over (under) disbursements and other<br>financing uses | 101,921                         | 15,190                         | (2,202)   |
| Balances beginning of year  | 972,257                         | 128,573                        | 16,196  |
| Balances end of year  | <b>\$ 1,074,178</b>             | <b>143,763</b>                 | <b>13,994</b>                                   |

See accompanying independent auditor's report.

| Total                   | Budgeted Amounts      |                       | Final to<br>Total<br>Variance |
|-------------------------|-----------------------|-----------------------|-------------------------------|
|                         | Original              | Final                 |                               |
| 385,631                 | 375,570               | 375,570               | 10,061                        |
| 238,401                 | 170,511               | 170,511               | 67,890                        |
| 22,196                  | 23,169                | 23,169                | (973)                         |
| 70,737                  | 8,800                 | 8,800                 | 61,937                        |
| 5,374                   | 1,000                 | 1,000                 | 4,374                         |
| 160,719                 | 128,770               | 128,770               | 31,949                        |
| 421,656                 | 313,997               | 313,997               | 107,659                       |
| 67,771                  | 13,213                | 13,213                | 54,558                        |
| <u>1,372,485</u>        | <u>1,035,030</u>      | <u>1,035,030</u>      | <u>337,455</u>                |
| 145,159                 | 167,634               | 176,134               | 30,975                        |
| 191,053                 | 283,625               | 283,625               | 92,572                        |
| 600                     | -                     | 1,200                 | 600                           |
| 96,280                  | 97,985                | 97,985                | 1,705                         |
| 143,159                 | 84,240                | 129,358               | (13,801)                      |
| 213,083                 | 117,219               | 190,421               | (22,662)                      |
| 153,483                 | 110,285               | 110,285               | (43,198)                      |
| 13,681                  | -                     | -                     | (13,681)                      |
| 296,674                 | 246,346               | 246,346               | (50,328)                      |
| <u>1,253,172</u>        | <u>1,107,334</u>      | <u>1,235,354</u>      | <u>(17,818)</u>               |
| 119,313                 | (72,304)              | (200,324)             | 319,637                       |
| -                       | -                     | -                     | -                             |
| 119,313                 | (72,304)              | (200,324)             | 319,637                       |
| <u>1,084,634</u>        | <u>814,079</u>        | <u>814,079</u>        | <u>270,555</u>                |
| <u><u>1,203,947</u></u> | <u><u>741,775</u></u> | <u><u>613,755</u></u> | <u><u>590,192</u></u>         |

City of Van Meter

Notes to Other Information – Budgetary Reporting

June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the blended component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$128,020. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the community and economic development, general government, debt service, capital projects and business type activities functions.

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City of Van Meter

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
Last Fiscal Year\*

Other Information

|   | <u>2015</u> |
|---|-------------|
| City's proportion of the net pension liability  | 0.003513%   |
| City's proportionate share of the net pension liability   | \$ 139,339  |
| City's covered-employee payroll   | \$ 298,437  |
| City's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 46.69%      |
| Plan fiduciary net position as a percentage of the total pension liability                              | 87.61%      |

\* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

City of Van Meter  
 Schedule of City Contributions  
 Iowa Public Employees' Retirement System  
 Last 10 Fiscal Years

Other Information

|   | 2015       | 2014     | 2013     | 2012     |
|---|------------|----------|----------|----------|
| Statutorily required contribution                                     | \$ 28,059  | 27,249   | 20,750   | 19,829   |
| Contributions in relation to the<br>statutorily required contribution | (28,059)   | (27,249) | (20,750) | (19,829) |
| Contribution deficiency (excess)                                      | \$ -       | -        | -        | -        |
| City's covered-employee payroll                                       | \$ 306,666 | 298,437  | 233,794  | 235,409  |
| Contributions as a percentage of<br>covered-employee payroll          | 9.15%      | 9.13%    | 8.88%    | 8.42%    |

See accompanying independent auditor's report.



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| 2011     | 2010     | 2009     | 2008     | 2007     | 2006     |
|----------|----------|----------|----------|----------|----------|
| 17,566   | 16,731   | 14,255   | 13,020   | 12,678   | 10,530   |
| (17,566) | (16,731) | (14,255) | (13,020) | (12,678) | (10,530) |
| -        | -        | -        | -        | -        | -        |
| 238,949  | 236,488  | 210,440  | 197,850  | 195,446  | 160,484  |
| 7.35%    | 7.07%    | 6.77%    | 6.58%    | 6.49%    | 6.56%    |

City of Van Meter

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs, deputies and protection occupation members.

## **Supplementary Information**

**City of Van Meter**

City of Van Meter

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2015

|   | Parks<br>and<br>Recreation<br>Trust | Employee<br>Benefits | Van Meter<br>Firefighters<br>Association |
|---|-------------------------------------|----------------------|--|
| Receipts:   |                                     |                      |  |
| Property tax  | \$ -                                | 73,275               | -  |
| Other city tax  | -                                   | 4,488                | -  |
| Use of money and property                                     | 2                                   | -                    | 12                                       |
| Intergovernmental   | -                                   | 653                  | -  |
| Charges for service   | -                                   | -                    | -  |
| Miscellaneous   | 9,522                               | -                    | 9,572                                    |
| Total receipts  | 9,524                               | 78,416               | 9,584                                    |
| Disbursements:  |                                     |                      |  |
| Public safety   | -                                   | 15,347               | 11,786                                   |
| Public works  | -                                   | 11,314               | -  |
| Culture and recreation  | 5,228                               | 17,169               | -  |
| General government  | -                                   | 11,115               | -  |
| Total disbursements   | 5,228                               | 54,945               | 11,786                                   |
| Excess (deficiency) of receipts<br>over (under) disbursements | 4,296                               | 23,471               | (2,202)                                  |
| Other financing sources (uses):                               |                                     |                      |  |
| Transfers in  | -                                   | -                    | -  |
| Transfers out   | -                                   | -                    | -  |
| Total other financing sources (uses)                          | -                                   | -                    | -  |
| Change in cash balances                                       | 4,296                               | 23,471               | (2,202)                                  |
| Cash balances beginning of year                               | 28,093                              | 85,931               | 16,196                                   |
| Cash balances end of year                                     | \$ 32,389                           | 109,402              | 13,994                                   |
| <b>Cash Basis Fund Balances</b>                               |                                     |                      |  |
| Nonspendable - Cemetery perpetual care                        | \$ -                                | -                    | -  |
| Restricted for other purposes                                 | 32,389                              | 109,402              | 13,994                                   |
| Total cash basis fund balances                                | \$ 32,389                           | 109,402              | 13,994                                   |

See accompanying independent auditor's report.

| Special Revenue               |                  |           |                              |                                 |                               | Permanent |  |
|-------------------------------|------------------|-----------|------------------------------|---------------------------------|-------------------------------|-----------|--|
| VM<br>Community<br>Betterment | Library<br>Trust | Emergency | Park<br>Subdivision<br>Trust | Local<br>Option<br>Sales<br>Tax | Cemetery<br>Perpetual<br>Care | Total     |  |
| -                             | -                | 6,335     | -                            | -                               | -                             | 79,610    |  |
| -                             | -                | 388       | -                            | -                               | -                             | 4,876     |  |
| -                             | 2                | -         | -                            | -                               | -                             | 16        |  |
| -                             | 4,316            | 56        | -                            | -                               | -                             | 5,025     |  |
| -                             | -                | -         | -                            | -                               | 300                           | 300       |  |
| 7,470                         | 991              | -         | -                            | -                               | 5,000                         | 32,555    |  |
| 7,470                         | 5,309            | 6,779     | -                            | -                               | 5,300                         | 122,382   |  |
| -                             | -                | -         | -                            | -                               | -                             | 27,133    |  |
| -                             | -                | -         | -                            | -                               | -                             | 11,314    |  |
| 8,575                         | 44,012           | -         | 400                          | -                               | -                             | 75,384    |  |
| -                             | -                | -         | -                            | -                               | -                             | 11,115    |  |
| 8,575                         | 44,012           | -         | 400                          | -                               | -                             | 124,946   |  |
| (1,105)                       | (38,703)         | 6,779     | (400)                        | -                               | 5,300                         | (2,564)   |  |
| 500                           | 82,575           | -         | 53,794                       | -                               | -                             | 136,869   |  |
| -                             | -                | (10,000)  | -                            | (53,794)                        | -                             | (63,794)  |  |
| 500                           | 82,575           | (10,000)  | 53,794                       | (53,794)                        | -                             | 73,075    |  |
| (605)                         | 43,872           | (3,221)   | 53,394                       | (53,794)                        | 5,300                         | 70,511    |  |
| 2,807                         | 14,351           | 3,258     | 90,380                       | 53,794                          | 15,050                        | 309,860   |  |
| 2,202                         | 58,223           | 37        | 143,774                      | -                               | 20,350                        | 380,371   |  |
| -                             | -                | -         | -                            | -                               | 20,350                        | 20,350    |  |
| 2,202                         | 58,223           | 37        | 143,774                      | -                               | -                             | 360,021   |  |
| 2,202                         | 58,223           | 37        | 143,774                      | -                               | 20,350                        | 380,371   |  |

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City of Van Meter  
Schedule of Indebtedness  
Year ended June 30, 2015

| Obligation                      | Date of Issue | Interest Rates | Amount Originally Issued |
|---------------------------------|---------------|----------------|--------------------------|
| General obligation bonds:       |               |                |                          |
| Street improvement              | Aug 27, 2008  | 3.20-4.20%     | \$ 300,000               |
| Water improvement               | Aug 15, 2011  | 4.00-4.75      | 265,000                  |
| Corporate purpose and refunding | Sep 9, 2013   | 1.00-4.75      | 995,000                  |
| Total                           |               |                |                          |
| Lease-purchase agreement:       |               |                |                          |
| Bob Feller Museum               | Jul 14, 2014  | 0.00-0.00%     | \$ 39,000                |

See accompanying independent auditor's report.



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| Balance<br>Beginning<br>of Year | Issued<br>During<br>Year | Redeemed<br>During<br>Year | Balance<br>End of<br>Year | Interest<br>Paid |
|---------------------------------|--------------------------|----------------------------|---------------------------|------------------|
| 165,000                         | -                        | 30,000                     | 135,000                   | 6,620            |
| 245,000                         | -                        | 10,000                     | 235,000                   | 11,000           |
| 935,000                         | -                        | 65,000                     | 870,000                   | 29,263           |
| <u>\$ 1,345,000</u>             | <u>-</u>                 | <u>105,000</u>             | <u>1,240,000</u>          | <u>46,883</u>    |
| -                               | 39,000                   | 10,000                     | 29,000                    | -                |

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**Schedule 3**

## City of Van Meter

## Bond Maturities

June 30, 2015

| Year<br>Ending<br>June 30, | General Obligation Bonds |                   |                     |                   |                                    |                   | Total            |
|----------------------------|--------------------------|-------------------|---------------------|-------------------|------------------------------------|-------------------|------------------|
|                            | Street Improvement       |                   | Water Improvement   |                   | Corporate Purpose<br>and Refunding |                   |                  |
|                            | Issued Aug 27, 2008      |                   | Issued Aug 15, 2011 |                   | Issued Sep 9, 2013                 |                   |                  |
|                            | Interest<br>Rates        | Amount            | Interest<br>Rates   | Amount            | Interest<br>Rates                  | Amount            |                  |
| 2016                       | 4.00%                    | \$ 30,000         | 4.00%               | \$ 10,000         | 1.50%                              | \$ 65,000         | 105,000          |
| 2017                       | 4.00                     | 35,000            | 4.00                | 10,000            | 1.50                               | 60,000            | 105,000          |
| 2018                       | 4.20                     | 35,000            | 4.00                | 10,000            | 2.00                               | 90,000            | 135,000          |
| 2019                       | 4.20                     | 35,000            | 4.00                | 10,000            | 2.00                               | 45,000            | 90,000           |
| 2020                       |                          | -                 | 4.00                | 10,000            | 3.00                               | 45,000            | 55,000           |
| 2021                       |                          | -                 | 4.00                | 10,000            | 3.00                               | 45,000            | 55,000           |
| 2022                       |                          | -                 | 4.00                | 15,000            | 3.00                               | 45,000            | 60,000           |
| 2023                       |                          | -                 | 4.75                | 15,000            | 3.50                               | 50,000            | 65,000           |
| 2024                       |                          | -                 | 4.75                | 15,000            | 3.50                               | 50,000            | 65,000           |
| 2025                       |                          | -                 | 4.75                | 15,000            | 4.00                               | 55,000            | 70,000           |
| 2026                       |                          | -                 | 4.75                | 15,000            | 4.00                               | 50,000            | 65,000           |
| 2027                       |                          | -                 | 4.75                | 20,000            | 4.00                               | 35,000            | 55,000           |
| 2028                       |                          | -                 | 4.75                | 20,000            | 4.50                               | 35,000            | 55,000           |
| 2029                       |                          | -                 | 4.75                | 20,000            | 4.50                               | 35,000            | 55,000           |
| 2030                       |                          | -                 | 4.75                | 20,000            | 4.50                               | 40,000            | 60,000           |
| 2031                       |                          | -                 | 4.75                | 20,000            | 4.75                               | 40,000            | 60,000           |
| 2032                       |                          | -                 |                     | -                 | 4.75                               | 40,000            | 40,000           |
| 2033                       |                          | -                 |                     | -                 | 4.75                               | 45,000            | 45,000           |
| Total                      |                          | <u>\$ 135,000</u> |                     | <u>\$ 235,000</u> |                                    | <u>\$ 870,000</u> | <u>1,240,000</u> |

See accompanying independent auditor's report.

## City of Van Meter

Schedule of Receipts By Source and Disbursements By Function –  
All Governmental Funds

For the Last Two Years

|                                    | 2015                | 2014             |
|------------------------------------|---------------------|------------------|
| Receipts:                          |                     |                  |
| Property tax                       | \$ 385,631          | 420,233          |
| Tax increment financing            | 238,401             | 197,761          |
| Other city tax                     | 22,196              | 90,412           |
| Licenses and permits               | 70,737              | 12,779           |
| Use of money and property          | 5,386               | 5,384            |
| Intergovernmental                  | 160,719             | 294,230          |
| Charges for service                | 108,760             | 104,735          |
| Miscellaneous                      | 77,343              | 153,557          |
| Total receipts                     | <u>\$ 1,069,173</u> | <u>1,279,091</u> |
| Disbursements:                     |                     |                  |
| Operating:                         |                     |                  |
| Public safety                      | \$ 156,945          | 156,002          |
| Public works                       | 191,053             | 362,578          |
| Health and social services         | 600                 | -                |
| Culture and recreation             | 96,280              | 175,079          |
| Community and economic development | 143,159             | 190,105          |
| General government                 | 213,083             | 136,818          |
| Debt service                       | 153,483             | 590,200          |
| Capital projects                   | 13,681              | 407,558          |
| Total disbursements                | <u>\$ 968,284</u>   | <u>2,018,340</u> |

See accompanying independent auditor's report.

**City of Van Meter**



# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Mary Mosiman, CPA

Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Van Meter, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 8, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Van Meter's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Van Meter's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Van Meter's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Van Meter's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (C) and (D) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Van Meter’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City’s operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Van Meter’s Responses to the Findings


The City of Van Meter’s responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Van Meter’s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Van Meter during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 8, 2016

City of Van Meter  
Schedule of Findings  
Year ended June 30, 2015

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. A limited number of individuals are responsible for the following areas:

- 1) Cash – bank reconciling, petty cash, change fund, handling and recording.
- 2) Receipts – collecting, depositing, journalizing, posting and daily reconciling. Also, a listing of receipts is not prepared by the mail opener.
- 3) Payroll – check writing, distributing, posting and personnel duties.
- 4) Long-term debt – recording, reconciling and maintaining. Also, paid bonds and coupons are not reconciled by an independent person.
- 5) Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – The City will utilize the Finance Committee of the City Council to provide further review of bank reconciliations, petty cash, change fund, receipts, payroll, long term debt and journal entries.

Conclusion – Response accepted.

(B) Van Meter Firefighters Association – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has control over each of the following areas for the Association:

- 1) Cash – bank reconciling, handling and recording cash. Also, bank reconciliations are not reviewed by an independent person.
- 2) Receipts – collecting, depositing, recording and daily reconciling. Also, a listing of receipts is not prepared by the mail opener.
- 3) Disbursements – preparing and signing checks, approving, recording and posting.

In addition, the Association does not have an accounting policies/procedures manual.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Association should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – The City will forward the recommendation to the Firefighters Association.

Conclusion – Response accepted.

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- (C) Utility Billings, Collections and Delinquent Accounts – The City does not have a written policy on writing off delinquent accounts. Also, utility billings, collections and delinquent accounts are not reviewed by an independent person. In addition, six current City employees have delinquent accounts which total \$1,973, including one delinquent balance greater than \$1,000.

Recommendation – Utility billings, collections and delinquent accounts should be reviewed by an independent person and written policies should be developed to cover writing off delinquent accounts.

Response – The City will research policy alternatives and take action accordingly. Further utility shut-offs will be carried out most expeditiously and without reprieve.

Conclusion – Response accepted.

- (D) Computer System – The following weaknesses in the City’s computer system were noted:

The City does not have policies and procedures for:

- Password privacy and confidentiality.
- Allowing only authorized personnel to request resetting their own passwords.
- Not allowing another employee to request a reset of a password for another employee and then having access to this password.

Recommendation – The City should develop written policies and procedures addressing the above items to improve the City’s internal control over its computer system.

Response – The City will research policy alternatives and take action accordingly.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.



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 Schedule of Findings  
 Year ended June 30, 2015

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the community and economic development, general government, debt service, capital projects and business type activities functions. In addition, disbursements exceeded the amounts budgeted in the health and social services function prior to the budget amendment. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in sufficient amounts as required by Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in accordance with Chapter 384.20 of the Code of Iowa.

Conclusion – Response accepted.

- (2) Questionable Disbursement – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

| Name, Title and<br>Business Connection                    | Transaction<br>Description | Amount |
|---|----------------------------|--------|
| Robert Lacy, Council Member,<br>Owner of Bob’s Auto Parts | Parts and supplies         | \$ 903 |

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the transactions above do not appear to represent conflicts of interest since total transactions with the individual were less than \$2,500 during the fiscal year.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Financial Condition – The Debt Service Fund had a deficit balance of \$13,464 at June 30, 2015.

Recommendation – The City should investigate alternatives to eliminate the deficit balance to return the fund to a sound financial position.

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Schedule of Findings  
Year ended June 30, 2015

Response – The deficit balance is the result of a debt service payment being issued prior to the end of the fiscal year and prior to the funds being transferred from the Special Revenue, Urban Renewal Tax Increment Fund. The deficit is already remedied and the City will be more diligent in making interfund transfers before payments are issued out of the Debt Service Fund.

Conclusion – Response accepted.

- (9) Annual Urban Renewal Report – On the Annual Urban Renewal Report, water and sewer improvement general obligation bond debt outstanding does not agree to the City’s debt amortization schedules for outstanding principal and interest.

Recommendation – General obligation debt outstanding on the Annual Urban Renewal Report should agree to the City’s debt amortization schedules for principal and interest. Controls should be in place to ensure the accurate reporting of debt.

Response – The error is clerical in nature and the Annual Urban Renewal Report will be done with more detailed attention moving forward.

Conclusion – Response accepted.

- (10) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit obligations, including checks, outstanding for more than two years to the Office of Treasurer of State annually. The City did not remit these obligations as required.

Recommendation – Outstanding checks should be reviewed annually and items over two years old should be remitted to the Office of Treasurer of State, as required.

Response – Given the cost of stop-payment fees at the bank management has been reluctant to process the outstanding obligations. The City will accomplish this with the procurement of new business banking services. The City will also take steps to comply with Chapter 556.11 of the Code of Iowa.

Conclusion – Response accepted.

- (11) Lease-Purchase Agreement – Chapter 364.4(4)(e)(1) of the Code of Iowa requires the City Council to follow authorization procedures in accordance with Chapter 384.25 of the Code of Iowa to authorize a lease-purchase agreement for real property payable from the General Fund. Chapter 384.25 of the Code of Iowa requires publication of notice of a public hearing and a public hearing to contract indebtedness and receive oral or written objections from any resident or property owner. The City did not hold a public hearing regarding the lease-purchase agreement for the Bob Feller Museum.

Recommendation – The City should ensure all lease purchase agreements are approved and authorized in accordance with Chapter 384.25 of the Code of Iowa.

Response – The City relied on the advice of its Attorney when reviewing the lease-purchase agreement. In the future the City will comply with Chapter 384.25 of the Code of Iowa when authorizing a lease-purchase agreement.


Conclusion – Response accepted.

City of Van Meter

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Manager  
Melissa J. Knoll, Senior Auditor II  
Luke M. Bormann, Auditor Intern



Andrew E. Nielsen, CPA  
Deputy Auditor of State