



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004
Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE

August 2, 2023

Contact: Ernest Ruben
515/281-5834

Auditor of State Rob Sand today released an audit report on City of Van Meter, Iowa.

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$5,434,001 for the year ended June 30, 2022, a 134.0% increase over the prior year. The increase in receipts was due primarily to issuance of general obligation bonds. Disbursements for the year ended June 30, 2022 totaled \$2,976,571, a 40.4% increase over the prior year. The significant increase in disbursements is primarily due to increased debt payments and an increase in capital projects.

AUDIT FINDINGS:

Sand reported thirteen findings for the City related to the receipt and disbursement of taxpayer funds. They are found on pages 46 through 55 of this report. The findings address issues such as a lack of segregation of duties, material amounts of receipts and debt payments incorrectly recorded, a lack of support retained for utility reconciliations and bank reconciliations, disbursement exceeding budgeted amounts and incorrect certifications and reporting of tax increment financing (TIF) debt. Sand provided the City with recommendations to address each of the findings.

Ten of the thirteen findings pertaining to the City are repeated from the prior year. The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at [Audit Reports – Auditor of State](#).

###

CITY OF VAN METER

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

JUNE 30, 2022

City of Van Meter



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

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Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

June 23, 2023

Officials of the City of Van Meter
Van Meter, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Van Meter, Iowa, for the year ended June 30, 2022. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Van Meter throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

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City of Van Meter

Officials

(Before January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Allan Adams	Mayor	Jan 2024
Lyn Lyon	Mayor Pro tem	Jan 2024
Adam Coyle	Council Member	Jan 2022
Joe Herman	Council Member	Jan 2022
Steve Meyer	Council Member	Jan 2022
Travis Brott	Council Member	Jan 2024
Kyle Michel	City Administrator	Indefinite
Liz Faust	City Clerk	Indefinite
John Fatino	Attorney	Indefinite

(After January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Allan Adams	Mayor	Jan 2024
Joe Herman	Mayor Pro tem	Jan 2026
Travis Brott	Council Member	Jan 2024
Lyn Lyon	Council Member	Jan 2024
Craig Greer	Council Member	Jan 2026
Blake Grolmus	Council Member	Jan 2026
Kyle Michel	City Administrator	(Resigned Feb 2022)
Sarah Ames (Appointed Mar 2022)	City Administrator	Indefinite
Liz Faust	City Clerk	Indefinite
John Fatino	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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, 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, 2022, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Van Meter as of June 30, 2022, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the City of Van Meter, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the City of Van Meter adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 87, Leases. Our opinions are not modified with respect to this matter.

Responsibilities of Management 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, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Van Meter's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 of Van Meter's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Van Meter's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary 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 Auditor's Responsibilities for the Audit of the Financial Statements section of this report, the financial statements for the nine years ended June 30, 2021 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the cash basis of accounting. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary information in Schedules 1 and 2 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

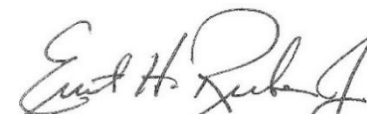
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset) and the Schedule of City Contributions on pages 30 through 38 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 23, 2023 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 solely 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 effectiveness of the City's 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.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

June 23, 2023

City of Van Meter

Basic Financial Statements

City of Van Meter

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2022

	Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Primary Government:			
Governmental activities:			
Public safety	\$ 428,560	-	104,186
Public works	222,190	216,279	193,470
Culture and recreation	279,815	108,921	49,497
Community and economic development	34,259	87,732	-
General government	393,658	10,059	-
Debt service	671,236	-	-
Capital projects	518,969	-	-
Total governmental activities	2,548,687	422,991	347,153
Business type activities:			
Water	267,132	361,173	-
Sewer	160,752	249,474	-
Total business type activities	427,884	610,647	-
Total Primary Government	\$ 2,976,571	1,033,638	347,153
Component Unit:			
Van Meter Community Development Corporation	\$ 111,175	-	236,951
General Receipts and Transfers:			
Property and other city tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Local option sales tax			
Commercial/industrial tax replacement			
American Rescue Plan Act			
Unrestricted interest on investments			
General obligation bond proceeds, including premium of \$95,213, net of \$21,495 issuance costs			
Miscellaneous			
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			
Cash Basis Net Position			
Restricted:			
Nonexpendable:			
Cemetery perpetual care			
Expendable:			
Van Meter Community Development Corporation			
Streets			
Local option sales tax			
Debt service			
Capital projects			
Other purposes			
Unrestricted			
Total cash basis net position			

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component Unit
Primary Government			Van Meter Community Development Corporation
Governmental Activities	Business Type Activities	Total	
(324,374)	-	(324,374)	
187,559	-	187,559	
(121,397)	-	(121,397)	
53,473	-	53,473	
(383,599)	-	(383,599)	
(671,236)	-	(671,236)	
(518,969)	-	(518,969)	
(1,778,543)	-	(1,778,543)	
-	94,041	94,041	
-	88,722	88,722	
-	182,763	182,763	
(1,778,543)	182,763	(1,595,780)	
			125,776
530,456	-	530,456	-
194,202	-	194,202	-
2,415	-	2,415	-
342,450	-	342,450	-
4,653	-	4,653	-
-	96,592	96,592	-
1,457	-	1,457	-
1,071,968	1,791,750	2,863,718	-
17,267	-	17,267	-
2,164,868	1,888,342	4,053,210	-
386,325	2,071,105	2,457,430	125,776
2,120,290	865,670	2,985,960	18,758
\$ 2,506,615	2,936,775	5,443,390	144,534
\$ 36,550	-	36,550	-
-	-	-	144,534
249,980	-	249,980	-
726,773	-	726,773	-
468,204	-	468,204	-
506,579	2,253,388	2,759,967	-
120,159	96,592	216,751	-
398,370	586,795	985,165	-
\$ 2,506,615	2,936,775	5,443,390	144,534

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, 2022

	Special Revenue			
	General	Road Use Tax	Local Option Sales Tax	Urban Renewal Tax Increment
Receipts:				
Property Tax	\$ 474,379	-	-	-
Tax increment financing	-	-	-	2,415
Local option sales tax	-	-	342,450	-
Other city tax	10,094	-	-	-
Licenses and permits	154,601	-	-	-
Use of money and property	1,457	-	-	-
Intergovernmental	105,679	193,470	-	-
Charges for service	249,118	-	-	-
Miscellaneous	44,661	-	-	-
Total receipts	1,039,989	193,470	342,450	2,415
Disbursements:				
Operating:				
Public safety	303,391	-	52,500	-
Public works	121,860	84,140	-	-
Culture and recreation	152,043	-	-	-
Community and economic development	24,932	-	-	9,327
General government	376,674	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	978,900	84,140	52,500	9,327
Excess (deficiency) of receipts over (under) disbursements	61,089	109,330	289,950	(6,912)
Other financing sources (uses):				
Bond proceeds, including premiums of \$95,213, net of \$21,495 issuance costs	-	-	-	-
Transfers in	108,822	72,882	-	-
Transfers out	(50,000)	-	(50,000)	(305,307)
Total other financing sources (uses)	58,822	72,882	(50,000)	(305,307)
Change in cash balances	119,911	182,212	239,950	(312,219)
Cash balances beginning of year	278,459	67,768	486,823	780,423
Cash balances end of year	\$ 398,370	249,980	726,773	468,204
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ -	-	-	-
Restricted for:				
Streets	-	249,980	-	-
Local option sales tax	-	-	726,773	-
Debt service	-	-	-	468,204
Capital projects	-	-	-	-
Other purposes	-	-	-	-
Unassigned	398,370	-	-	-
Total cash basis fund balances	\$ 398,370	249,980	726,773	468,204

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
190,136	-	45,037	709,552
-	-	-	2,415
-	-	-	342,450
4,066	-	946	15,106
-	-	-	154,601
-	-	41	1,498
1,253	-	6,333	306,735
-	-	375	249,493
-	-	36,533	81,194
195,455	-	89,265	1,863,044
-	-	72,669	428,560
-	-	16,190	222,190
-	-	127,772	279,815
-	-	-	34,259
-	-	16,984	393,658
671,236	-	-	671,236
-	518,969	-	518,969
671,236	518,969	233,615	2,548,687
(475,781)	(518,969)	(144,350)	(685,643)
-	1,071,968	-	1,071,968
310,307	-	50,000	542,011
-	(63,822)	(72,882)	(542,011)
310,307	1,008,146	(22,882)	1,071,968
(165,474)	489,177	(167,232)	386,325
165,474	17,402	323,941	2,120,290
-	506,579	156,709	2,506,615
-	-	36,550	36,550
-	-	-	249,980
-	-	-	726,773
-	-	-	468,204
-	506,579	-	506,579
-	-	120,159	120,159
-	-	-	398,370
-	506,579	156,709	2,506,615

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, 2022

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 311,124	249,474	560,598
Operating disbursements:			
Business type activities	240,574	160,752	401,326
Excess of operating receipts over operating disbursements	70,550	88,722	159,272
Non-operating receipts (disbursements):			
General obligation bond proceeds, including premium of \$95,213, net of \$21,495 issuance costs	1,791,750	-	1,791,750
American Rescue Plan Act	-	96,592	96,592
Water tower rent	50,049	-	50,049
Capital outlay	(26,558)	-	(26,558)
Net non-operating receipts (disbursements)	1,815,241	96,592	1,911,833
Change in cash balances	1,885,791	185,314	2,071,105
Cash balances beginning of year	616,865	248,805	865,670
Cash balances end of year	\$ 2,502,656	434,119	2,936,775
Cash Basis Fund Balances			
Restricted for:			
Capital projects	2,214,225	39,163	2,253,388
Other purposes	-	96,592	96,592
Unrestricted	288,431	298,364	586,795
Total cash basis fund balances	\$ 2,502,656	434,119	2,936,775

See notes to financial statements.

City of Van Meter

Notes to Financial Statements

June 30, 2022

(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 1877 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, 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 units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Discretely Presented Component Unit

The Van Meter Community Development Corporation (VMCDC) was established as a non-profit corporation in accordance with Chapter 504A of the Code of Iowa. Its purpose is to promote collaboration between the citizens and businesses of Van Meter for the purpose of promoting growth and improving quality of life within the community. In accordance with criteria set forth by the Governmental Accounting Standards Board, the VMCDC meets the definition of a component unit which should be discretely presented. It is presented in a separate column to emphasize it is legally separate from the City but is financially accountable to the City or its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

Blended Component Units

The Van Meter Firefighters Association (Association) and the Van Meter Public Library Foundation (Foundation) were established as non-profit corporations in accordance with Chapter 504A of the Code of Iowa. The Association and Foundation are legally separate from the City but are so intertwined with the City they are, in substance, the same as the City. They are reported as part of the City and blended into the Special Revenue Funds. Although the Van Meter Firefighters Association and Van Meter Public Library Foundation are legally separate from the City, their 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 911 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 receipts, 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:

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. Net position restricted through enabling Legislation consists of \$442,379 for water improvements and \$39,163 for sewer improvements.

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 Local Option Sales Tax (LOST) Fund is utilized to account for the collection and use of the local option sales tax, for purposes authorized in the LOST referendum.

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 receipts 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. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in the governmental funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2020 assessed property valuations; is for the tax accrual period July 1, 2021 through June 30, 2022 and reflects tax asking contained in the budget certified to the City Council in March 2021.

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, 2022, disbursements exceeded the amounts budgeted in the public safety, general government, debt service and capital projects functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2022 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.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Bonds and Note Payable

A summary of changes in bonds and note payable for the year ended June 30, 2022 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 520,000	2,790,000	620,000	2,690,000	120,000

General Obligation Bonds

A summary of the City's June 30, 2022 general obligation bonds payable is as follows:

Year Ending June 30,	Corporate Purpose and Refunding		
	Issued Nov 23, 2021		
	Interest Rates	Amount	Interest
2023	2.00%	\$ 120,000	53,800
2024	2.00	200,000	51,400
2025	2.00	200,000	47,400
2026	2.00	210,000	43,400
2027	2.00	215,000	39,200
2028-2032	2.00	1,120,000	130,300
2033-2036	2.00	625,000	28,900
Total		\$ 2,690,000	394,400

On September 9, 2013, the City issued \$995,000 of corporate purpose and refunding bonds with interest rates ranging from 1.00% to 4.75% per annum. The bonds were issued to pay the cost of current refunding of the City's callable 2005A and 2007 bonds, for planning, designing and construction improvements to the Municipal Wastewater Treatment System, for planning, designing and construction improvements to the Municipal Waterworks System, and to pay the cost of acquiring ownership rights to the municipal recreation complex and improving the municipal recreation complex through the acquisition and installation of equipment, lighting and fencing and the construction of road and concession stand improvements. During the year ended June 30, 2022, the City retired the bonds by paying the remaining \$520,000 of principal and \$21,338 of interest.

On November 23, 2021, the City issued \$2,790,000 of General Obligation Corporate Purpose Bonds with interest rates of 2.00%. The bonds were issued to pay the costs of constructing improvements and extensions to the municipal waterworks utility system; and paying the costs of street, sanitary sewer, storm water management and sidewalk improvements; and acquiring and installing street lighting, signage and signalization improvements. During the year ended June 30, 2022, the City paid \$100,000 of principal and \$29,140 of interest.

(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 PO Box 9117, Des Moines, Iowa 50306-9117 or at 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, any time 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, except members with service before June 30, 2012 will use the highest three-year average salary as of that date 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 and may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service 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 – 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 2022, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.21% of covered payroll and the City contributed 9.31% of covered payroll, for a total rate of 15.52%.

The City’s contributions to IPERS for the year ended June 30, 2022 were \$40,152.

Net Pension Liability (Asset), Pension Expense (Reduction), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the City reported an asset of \$95,982 for its proportionate share of the net pension asset. The overall plan net pension asset was measured as of June 30, 2021. The total plan pension liability used in its calculation of the overall plan net pension asset was determined by an actuarial valuation as of that date. The City’s proportion of the overall plan net pension asset was based on the City’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the City’s proportion of the overall plan net pension asset was 0.027803%, which was a decrease of 0.31548% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City’s pension expense (reduction), deferred outflows of resources and deferred inflows of resources totaled \$(27,001), \$53,104 and \$305,094, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension asset in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2021 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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 geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	4.43%
International equity	17.5	6.01
Global smart beta equity	6.0	5.10
Core plus fixed income	26.0	0.29
Public credit	4.0	2.08
Cash	1.0	(0.25)
Private equity	13.0	9.51
Private real assets	7.5	4.63
Private credit	3.0	2.87
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension asset was 7.00%. 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 of 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 asset.

Sensitivity of City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 145,671	(95,982)	(298,402)

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.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use and vacation balance 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 payable to employees at June 30, 2022, primarily relating to the General Fund, is \$6,700 for vacation. This liability has been computed based on rates of pay in effect at June 30, 2022.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2022 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Urban Renewal Tax Increment	\$ 45,000
	Capital Projects	63,822
		<u>108,822</u>
Special Revenue:		
Library Trust	General	<u>50,000</u>
Road Use Tax	Special Revenue:	
	Employee Benefits	<u>72,882</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	50,000
	Urban Renewal Tax Increment	260,307
		<u>310,307</u>
Total		<u>\$ 542,011</u>

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

(7) Development Agreements

The City entered into a development agreement with Van Meter Land Co. to assist in an urban renewal project, including commercial development and the development of housing affordable to families of low and moderate income, for the construction of public infrastructure improvements necessary to support the development project. The developer proposed to pay the initial costs of constructing the project improvements provided the City agreed to provide tax increment financing to the developer to repay the costs over time. The City agreed to pay the developer an amount not to exceed the lesser of accepted infrastructure costs or \$4,450,000 over ten years, and payments are subject to annual appropriation by the City Council. At June 30, 2022, certification has not been made, and no payments or annual appropriations have been certified.

The City entered into a development agreement with Trindle Ridge, LLC. to assist with the construction of public infrastructure improvements necessary for the development of a residential subdivision. The developer agreed to pay the initial costs of constructing the project improvements provided the City provides tax increment financing assistance to the developer to repay the costs over time. The City agreed to make semiannual payments over ten years to the developer under Chapters 15A and 403 of the Code of Iowa equal to the lesser of \$600,000 or the accepted infrastructure costs incurred by the developer. The payments will be subject to annual appropriation. At June 30, 2022, certification has not been made, and no payments or annual appropriations have been certified.

(8) 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.

(9) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2022, the City did not abate any property tax under the urban renewal and economic development agreements.

(10) Lease Agreements

The City owns a water tower that is rented to New Cingular Wireless PCS, LLC. Effective May 30, 2012, the City entered into a five-year lease that will automatically renew for four additional five-year terms unless the tenant notifies the City of the intention not to renew at least sixty days prior to the expiration of the then current term. The lease was amended on July 24, 2020 to provide that the current term, which commenced on April 1, 2018, shall expire on March 31, 2023 and will be automatically renewed for five additional five-year terms unless the tenant notifies the City in writing of the tenant’s intention not to renew the agreement at least sixty days prior to the expiration of the then current term. The lease automatically renewed on April 1, 2023. As the tenant determines whether the lease will renew, only the current lease term is included in the table below. Effective January 1, 2021 under the amended lease, the City is to receive \$1,800 per month, and commencing on April 1, 2028, rent shall be increased by 12% at the beginning of each extension term. The incremental borrowing rate is 2.75%.

Year Ending June 30,	Tower Rental		
	Principal	Interest	Total
2023	\$ 18,636	2,964	21,600
2024	19,155	2,445	21,600
2025	19,688	1,912	21,600
2026	20,236	1,364	21,600
2027	20,800	800	21,600
2028	17,775	225	18,000
Total	<u>\$ 116,290</u>	<u>9,710</u>	<u>126,000</u>

The City owns a water tower that is rented to Verizon. Effective September 8, 2015, the City entered into a five-year lease that shall automatically be extended for four additional five-year terms unless the lessee terminates it at the end of the then current term by giving the City written notice of the intent to terminate at least six months prior the end of the then current term. As the tenant determines whether the lease will renew, only the current lease term is included in the table below. The City is to receive monthly payments of \$2,000, with an annual rent increase of three percent with an incremental borrowing rate of 4.25%. The lease was extended for the first renewal term for five years on September 8, 2020.

Year Ending June 30,	Tower Rental		
	Principal	Interest	Total
2023	\$ 25,741	3,489	29,230
2024	27,751	2,357	30,108
2025	29,874	1,136	31,010
2026	10,347	92	10,439
Total	<u>\$ 93,713</u>	<u>7,074</u>	<u>100,787</u>

(11) Deficit Balance

The Special Revenue, Employee Benefits and Van Meter Community Betterment Funds have deficit balances of \$29,098 and \$2,429, respectively, at June 30, 2022. The deficit balances were a result of the timing of transfers to the Special Revenue, Road Use Tax Fund to refund employee benefits paid from the Special Revenue, Road Use Tax Fund in prior years and disbursements in excess of collections in the Van Meter Community Betterment Fund.

(12) Subsequent Events

On February 13, 2023, the City signed a contract with Woodruff Construction, Inc. in the amount of \$849,700 for the 2022 Water Booster Station Project.

(13) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 96, Subscription-Based Information Technology Arrangements. The statement will be implemented for the fiscal year ending June 30, 2023. The revised requirements of this statement will require reporting of the right to use another party's information technology software alone or in combination with tangible capital assets that are not currently reported.

City of Van Meter

Other Information

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

Other Information

Year ended June 30, 2022

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 709,552	-	-
Tax increment financing	2,415	-	-
Other city tax	357,556	-	-
Licenses and permits	154,601	-	-
Use of money and property	1,498	50,049	41
Intergovernmental	306,735	96,592	-
Charges for service	249,493	560,598	-
Miscellaneous	81,194	-	3,120
Total receipts	1,863,044	707,239	3,161
Disbursements:			
Public safety	428,560	-	8,643
Public works	222,190	-	-
Culture and recreation	279,815	-	-
Community and economic development	34,259	-	-
General government	393,658	-	-
Debt service	671,236	-	-
Capital projects	518,969	-	-
Business type activities	-	427,884	-
Total disbursements	2,548,687	427,884	8,643
Excess of receipts over disbursements	(685,643)	279,355	(5,482)
Other financing sources, net	1,071,968	1,791,750	-
Balances beginning of year	2,120,290	865,670	107,133
Balances end of year	\$ 2,506,615	2,936,775	101,651

See accompanying independent auditor's report.

Total	Budgeted Amounts Original/Final	Final to Total Variance
709,552	705,964	3,588
2,415	2,000	415
357,556	224,759	132,797
154,601	94,100	60,501
51,506	4,500	47,006
403,327	276,313	127,014
810,091	823,200	(13,109)
78,074	65,250	12,824
<u>2,567,122</u>	<u>2,196,086</u>	<u>371,036</u>
419,917	318,050	(101,867)
222,190	276,163	53,973
279,815	334,430	54,615
34,259	62,000	27,741
393,658	384,550	(9,108)
671,236	666,838	(4,398)
518,969	-	(518,969)
427,884	3,171,886	2,744,002
<u>2,967,928</u>	<u>5,213,917</u>	<u>2,245,989</u>
(400,806)	(3,017,831)	2,617,025
<u>2,863,718</u>	<u>2,000,000</u>	<u>863,718</u>
<u>2,878,827</u>	<u>2,806,454</u>	<u>72,373</u>
<u>5,341,739</u>	<u>1,788,623</u>	<u>3,553,116</u>

City of Van Meter

City of Van Meter

Notes to Other Information – Budgetary Reporting

June 30, 2022

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 units. 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. There were no budget amendments during the year.

During the year ended June 30, 2022, disbursements exceeded the amounts budgeted in the public safety, general government, debt service and capital projects functions.

City of Van Meter

Schedule of the City's Proportionate Share of the Net Pension liability (Asset)

Iowa Public Employees' Retirement System
For the Last Eight Years*

Other Information

	2022	2021	2020	2019
City's proportion of the net pension liability/asset	0.027803% **	0.003745%	0.003346%	0.003833%
City's proportionate share of the net pension liability (asset)	\$ (95,982)	263,052	193,729	242,486
City's covered payroll	\$ 400,947	400,155	371,547	394,204
City's proportionate share of the net pension liability as a percentage of its covered payroll	(23.94)%	65.74%	52.14%	61.51%
IPERS' net position as a percentage of the total pension liability	100.81%	82.90%	85.45%	83.62%

* In accordance with GASB No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

** Overall plan net pension asset.

See accompanying independent auditor's report.

2018	2017	2016	2015
0.004129%	0.004322%	0.003513%	0.003513%
275,011	272,007	173,559	139,339
395,855	380,453	306,666	298,437
69.47%	71.50%	56.60%	46.69%
82.21%	81.82%	85.19%	87.61%

City of Van Meter

Schedule of City Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years

Other Information

	2022	2021	2020	2019
Statutory required contribution	\$ 40,152	38,048	38,310	35,886
Contributions in relation to the statutorily required contribution	(40,152)	(38,048)	(38,310)	(35,886)
Contribution deficiency (excess)	-	-	-	-
City's covered payroll	\$ 426,555	400,947	400,155	371,547
Contributions as a percentage of covered payroll	9.41%	9.49%	9.57%	9.66%

See accompanying independent auditor's report.

2018	2017	2016	2015	2014	2013
36,163	36,592	34,665	28,059	27,249	20,750
(36,163)	(36,592)	(34,665)	(28,059)	(27,249)	(20,750)
-	-	-	-	-	-
394,204	395,855	380,453	306,666	298,437	233,794
9.17%	9.24%	9.11%	9.15%	9.13%	8.88%

City of Van Meter

Notes to Other Information – Pension Liability (Asset)

Year ended June 30, 2022

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Supplementary Information

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, 2022

	Parks and Recreation Trust	Employee Benefits	Special Van Meter Firefighters Association
Receipts:			
Property tax	\$ -	45,037	-
Other city tax	-	946	-
Use of money and property	-	-	26
Intergovernmental	-	291	-
Charges for service	-	-	-
Miscellaneous	24,958	-	1,590
Total receipts	24,958	46,274	1,616
Disbursements:			
Public safety	-	64,026	8,643
Public works	-	16,190	-
Culture and recreation	22,712	12,405	-
General government	-	16,984	-
Total disbursements	22,712	109,605	8,643
Excess (deficiency) of receipts over (under) disbursements	2,246	(63,331)	(7,027)
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	(72,882)	-
Change in cash balances	2,246	(136,213)	(7,027)
Cash balances beginning of year	41,433	107,116	42,469
Cash balances end of year	\$ 43,679	(29,097)	35,442
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ -	-	-
Restricted for other purposes	43,679	(29,097)	35,442
Total cash basis fund balances	\$ 43,679	(29,097)	35,442

See accompanying independent auditor's report.

Revenue			Permanent		
VM Community Betterment	Library Trust	Library Foundation	Cemetery Perpetual Care		Total
-	-	-	-		45,037
-	-	-	-		946
-	-	15	-		41
-	6,042	-	-		6,333
-	-	-	375		375
-	3,880	1,530	4,575		36,533
-	9,922	1,545	4,950		89,265
-	-	-	-		72,669
-	-	-	-		16,190
2,500	90,155	-	-		127,772
-	-	-	-		16,984
2,500	90,155	-	-		233,615
(2,500)	(80,233)	1,545	4,950		(144,350)
-	50,000	-	-		50,000
-	-	-	-		(72,882)
(2,500)	(30,233)	1,545	4,950		(167,232)
71	36,588	64,664	31,600		323,941
(2,429)	6,355	66,209	36,550		156,709
-	-	-	36,550		36,550
(2,429)	6,355	66,209	-		120,159
(2,429)	6,355	66,209	36,550		156,709

City of Van Meter

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

For the Last Nine Years

	2022	2021	2020	2019
Receipts:				
Property tax	\$ 709,552	661,975	536,308	490,719
Tax increment financing	2,415	112,697	359,131	422,507
Local option sales tax	342,450	239,907	214,220	151,471
Other city tax	15,106	16,378	16,833	19,062
Licences and permits	154,601	96,550	98,018	122,664
Use of money and property	1,498	6,852	8,752	11,614
Intergovernmental	306,735	263,119	202,849	320,840
Charges for service	249,493	216,478	201,368	193,071
Miscellaneous	81,194	99,293	85,223	127,758
Total receipts	\$ 1,863,044	1,713,249	1,722,702	1,859,706
Disbursements:				
Operating:				
Public safety	\$ 428,560	354,149	369,912	265,429
Public works	222,190	211,251	278,213	248,176
Health and social services	-	-	-	-
Culture and recreation	279,815	232,832	227,077	366,247
Community and economic development	34,259	144,475	152,693	183,261
General government	393,658	361,963	216,820	208,897
Debt service	671,236	261,834	89,037	127,407
Capital projects	518,969	1,486	-	-
Total disbursements	\$ 2,548,687	1,567,990	1,333,752	1,399,417

See accompanying independent auditor's report.

2018	2017	2016	2015	2014
411,727	405,253	385,576	385,631	420,233
372,778	298,926	290,991	238,401	197,761
-	-	-	-	-
20,039	20,240	21,982	22,196	90,412
152,731	105,446	79,723	70,737	12,779
5,594	5,447	4,379	5,386	5,384
262,016	223,093	240,782	160,719	294,230
195,319	139,797	128,295	108,760	104,735
198,475	82,182	70,445	77,343	153,557
<u>1,618,679</u>	<u>1,280,384</u>	<u>1,222,173</u>	<u>1,069,173</u>	<u>1,279,091</u>
313,677	278,862	304,451	156,945	156,002
309,323	189,502	250,197	191,053	362,578
-	-	-	600	-
219,653	242,514	255,868	96,280	175,079
157,000	149,065	122,717	143,159	190,105
361,715	184,676	216,856	213,083	136,818
176,177	148,777	151,453	153,483	590,200
76,345	33,326	36,825	13,681	407,558
<u>1,613,890</u>	<u>1,226,722</u>	<u>1,338,367</u>	<u>968,284</u>	<u>2,018,340</u>



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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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 auditing standards generally accepted in the United States of America 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of City of Van Meter, Iowa, as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 23, 2023. 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.

Report on 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 (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an 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.

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 that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2022-001 through 2022-005 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Van Meter's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 noncompliance or other matters which 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, 2022 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.

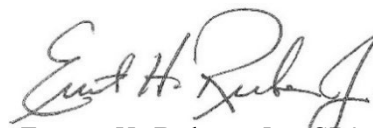
City of Van Meter's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Van Meter's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. The City of Van Meter's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

June 23, 2023

City of Van Meter

Schedule of Findings

Year ended June 30, 2022

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2022-001 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City’s financial statements.

Condition – Generally, a limited number of individuals in the City are responsible for the following areas:

- 1) Cash – bank reconciling, petty cash, change fund, handling and recording.
- 2) Receipts – opening mail, collecting, depositing, voiding receipts, recording and daily reconciling.
- 3) Long-term debt – recording, reconciling and maintaining.
- 4) Payroll – entering timesheets and processing and distributing payroll.
- 5) Journal entries – preparing and recording.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports. These independent reviews should be documented by the signature or initials of the reviewer and the date of the review.

Response – The City will continue to review internal control policies during the current fiscal year and adjust internal control practices where necessary to provide further control. The City has educated staff on control improvement practices to ensure supervisors are reviewing and approving their department specific processes where necessary. The Mayor and City Council are being leveraged for external review when and where necessary.

Conclusion – Response accepted.

City of Van Meter

Schedule of Findings

Year ended June 30, 2022

2022-002 Segregation of Duties for Component Units

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of both organizations' financial statements.

Condition – For the Van Meter Firefighters Association, the Van Meter Public Library Foundation and the Van Meter Community Development Corporation, one person has control over each of the following areas:

- 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.
- 3) Disbursements – preparing, approving, recording and posting.

Cause – The component units noted above have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect each component units' ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should work with the component units to develop operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including Board Members, to provide additional control through review of financial transactions, reconciliations and reports. These independent reviews should be documented by the signature or initials of the reviewer and the date of the review.

Response – The City Administrator will continue to work with the City's component units to review control processes and assist with process improvements where possible.

Conclusion – Response accepted.

2022-003 Financial Reporting

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are in integral part of ensuring the reliability and accuracy of the City's financial statements.

City of Van Meter

Schedule of Findings

Year ended June 30, 2022

Condition – A material amount of property tax receipts, intergovernmental receipts, general obligation bond proceeds, transfers, and debt principal and interest payments were posted to incorrect accounts. Adjustments were subsequently made by the City to properly report these amounts in the City’s financial statements.

Cause – City policies do not require, and procedures have not been established to require receipts to be compared to the accounting records by an independent person.

Effect – Lack of policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions and material adjustments to the City’s financial statements were necessary.

Recommendation – The City should implement procedures to ensure property tax receipts, intergovernmental receipts, general obligation bond proceeds, transfers, and debt principal and interest payments are properly recorded in the City’s financial statements. Receipts, disbursements, and transfers should be compared to the accounting records by an independent person and the evidence of review should be documented.

Response – We will perform additional review in the future to avoid posting errors. As new staff is onboarded, we can also utilize our software provider for training on their system to better understand how to avoid making coding errors. Internal processes can be better documented to refer to when there are questions. When we are provided with supporting documents, we should be referring to those and printing them to file with the reports. We will reclassify entries if possible as well as fund transfers if necessary.

Conclusion – Response accepted.

2022-004 Reconciliation of Utility Billings, Collections and Delinquent Accounts

Criteria – An effective internal control system provides for internal controls related to maintaining delinquent account listings, reconciling utility billings, collections and delinquent accounts and comparing utility collections to deposits to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances. Independent review of utility reconciliations can help ensure the accuracy of recorded amounts.

Condition – The reconciliation of utility billings, collections and delinquent accounts is performed and reviewed. However, for the month tested, the reviewer was not independent and the reconciliation did not evidence dates when prepared and reviewed. Also, the City did not retain the aging report necessary for an independent person to verify and review the ending balance of the monthly reconciliation.

Cause – Policies and procedures have not been established to require the reconciliations of utility billings, collections and delinquent accounts, including the requirement reviews are completed by an independent person and reviewer evidences the review by the signature or initials and date of the review.

Effect – This condition could result in unrecorded or misstated utility receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

City of Van Meter

Schedule of Findings

Year ended June 30, 2022

Recommendation – All necessary reports of the reconciliation of utility billings, collections and delinquent accounts should be maintained and reviewed by an independent person. The review of the reconciliation should be documented by the signature or initials of the independent reviewer and the date of the review.

Response – Documentation from the utility reconciliation and all necessary reports will be provided to the Mayor for physical review, signature and date as part of the monthly reconciliation.

Conclusion – Response accepted.

2022-005 Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records and reconciling bank and book balances. Supervisory review of bank reconciliations can help ensure the accuracy of recorded amounts.

Condition – Bank reconciliations were prepared and signed by an independent reviewer. However, for the June bank reconciliation tested, the following was noted:

- 1) An outstanding transactions register was not included with the bank reconciliation presented to the Council or the bank reconciliation reviewer.
- 2) The outstanding transactions register included \$16,501 in pending deposits that was not included in the bank reconciliation, explained or investigated. This has been resolved for audit purposes.
- 3) While an independent person signed the bank reconciliation to indicate review, the signature was not dated allowing determination of timeliness of the review.

Cause – Procedures have not been designed and implemented to ensure bank reconciliations are complete and accurate, with full explanations of reconciling items and all necessary reports provided to the independent reviewer of the bank reconciliation.

Effect – The lack of a complete bank to book reconciliation can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – The City's monthly bank reconciliation should include a comparison to the book balances and the variances between book and bank balances should be investigated and resolved in a timely manner. All reconciling items should be identified and properly supported. In addition, the reconciliation should be reviewed by an independent person, with all necessary reports provided and independent verification of reconciling items. Independent review of the reconciliation should be documented by the signature or initials of the independent reviewer and the date of the review.

City of Van Meter

Schedule of Findings

Year ended June 30, 2022

Response – We will ensure the bank reconciliation amounts agree to bank balances and variances are investigated and documented. An outstanding transactions register will be provided with the bank reconciliation to an independent reviewer, who will sign and date the reconciliation. The City Clerk contacted the software support requesting the project team’s assistance with the balancing issue. With their assistance, it will get reconciled before the next audit.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Van Meter

Schedule of Findings

Year ended June 30, 2022

Other Findings Related to Required Statutory Reporting:

2022-A Certified Budget – Disbursements during the year ended June 30, 2022 exceeded the amounts budgeted in the public safety, general government, debt service, and capital projects functions. 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 accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – In the future, we will amend the budget before disbursements are allowed to exceed the budget.

Conclusion – Response accepted.

2022-B Questionable Disbursements – No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

2022-C Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

2022-D Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Joe Herman, City Council Member, employee of Edge Commercial, LLC	Playground equipment relocation	\$ 6,379

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, this transaction may represent a conflict of interest since the transaction exceeded \$6,000 and was not entered into through competitive bidding.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – Edge Commercial, LLC is a privately owned firm located in Grimes, Iowa, employing over 30 full time people. Joe Herman is one of the many employees of the company. He has no ownership in the company and is not paid commission. The play equipment was a deal brokered between the parks director and a different employee of Edge, and the council member was not the person who authorized the work. In the future, if there is an opportunity to acquire equipment or service from a council member’s place of employment, we will not exceed \$6,000 or the transactions will be entered into through competitive bidding. We will consult legal counsel to determine the disposition of the matter.

Conclusion – Response accepted.

City of Van Meter

Schedule of Findings

Year ended June 30, 2022

- 2022-E Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- 2022-F 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.
- 2022-G City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not. However, Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting. Minutes for one of four meetings tested was not published within fifteen days.

Recommendation – The City should comply with the Code of Iowa and publish City Council minutes within fifteen days of the meeting, as required.

Response – City staff will ensure minutes are submitted for publication during the week of the regularly scheduled Council Meeting to ensure publication requirements are met.

Conclusion – Response accepted.

- 2022-H 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.
- 2022-I Annual Urban Renewal Report – The Annual Urban Renewal Report (AURR) was properly approved and certified to the Iowa Department of Management on or before December 1. However, the following exceptions were noted on the Levy Authority Summary for the AURR due December 1, 2021.

- Amounts reported on the Levy Authority Summary page do not agree with City records because non-rebate expenditures were reported at \$171,501 but actual non-rebated expenses were \$174,112, and TIF revenues were reported at \$117,511 but actual TIF revenues were \$112,697. As a result, TIF Special Revenue Cash Balance reported on the AURR is overstated by \$7,425 at June 30, 2021.
- The amount reported by the City as TIF debt outstanding did not include Low and Moderate Income (LMI) Housing obligation balances of approximately \$355,000.
- The amount reported by the City as TIF debt outstanding did not include a \$31,415 internal loan certified in 2018 that had not been repaid to the General Fund as of June 30, 2021

Recommendation – The City should ensure the amounts reported on the Levy Authority Summary are accurate and TIF obligations reported in the AURR are complete.

Response – The City Administrator will review the AURR and confirm accurate reporting of the Levy Authority Summary page and LMI obligations. The City Administrator will consult the County Auditor, Bond Counsel, and Municipal Advisor as necessary to ensure accuracy.

Conclusion – Response accepted.

City of Van Meter

Schedule of Findings

Year ended June 30, 2022

2022-J 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 – The City has tasked the Public Safety Department with gathering the necessary Personally Identifiable Information (PII) to facilitate remittance of unclaimed property to the Great Iowa Treasure Hunt by the November deadline.

Conclusion – Response accepted.

2022-K Solid Waste Collection Fee Ordinance – Solid waste fees collected did not agree with the approved rates per the City Ordinances. In June 2017, the City Council amended Chapter 106.08 of the City's Code of Ordinance to update solid waste collection fees. Per the Ordinance, solid waste collection fees were to increase by 3% effective both July 1, 2020 and July 1, 2021. However, the proposed 3% solid waste collection fee increases on July 1, 2020 and July 1, 2021 were suspended by both the contractor and the City. City Ordinances should have been amended to update rates charged for collection of solid waste.

Recommendation – The City should review its solid waste collection fees and amend its Code of Ordinances to update rates charged for collection of solid waste. The City should ensure rates charged agree with City Ordinances.

Response – The City will review its solid waste collection fees and amend its Code of Ordinances as necessary. The Code of Ordinances was updated on March 20, 2023.

2022-L Financial Condition – The Special Revenue, Employee Benefits and the Special Revenue, Van Meter Community Betterment Fund had deficit balances of \$29,098 and \$2,429, respectively, at June 30, 2022.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – The City Administrator will review activity in these funds to prevent negative fund balances at the end of the fiscal year.

Conclusion – Response accepted.

2022-M Insurance Levy – The City certifies a General Fund tax levy to pay for liability and property/casualty insurance costs pursuant to Chapter 384.12(17) of the Code of Iowa. The City's calculation for the amount levied has included all insurance costs paid by City, including approximately \$17,700 of insurance costs paid from its Enterprise, Water and Enterprise, Sewer Funds. The City's insurance levy is a General Fund levy and should only include the cost of tort and property/casualty insurance for non-proprietary operations. As a result, the City's insurance levy has generated an excess balance.

City of Van Meter

Schedule of Findings

Year ended June 30, 2022

Recommendation – When calculating its insurance levy, the City should exclude insurance costs paid from the Enterprise, Water and Enterprise, Sewer Funds. The City should also determine the unspent balance as a result of current year and prior year over-collection of the insurance levy and consider a decrease in the levy rate or restrict these funds to be used to pay future insurance costs for non-proprietary operations.

Response – The City Administrator will review insurance accounts payable distributions to ensure accurate distributions are being made.

Conclusion – Response acknowledged. The City should track excess collections from the insurance levy and consider a decrease in the levy rate or restrict these funds to be used to pay future insurance costs for non-proprietary operations.

2022-N Tax Increment Financing (TIF) Indebtedness Certification – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from the fund as provided in Iowa Code Section 403.19. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness and, as such, the County Auditor shall provide available TIF incremental property tax in subsequent fiscal years without further certification until the amount of certified indebtedness is paid to the City. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. Chapter 403.19 of the Code of Iowa requires the date the City Council initially approved the debt be included on the TIF certification.

We noted the following:

- The City made adjustments to reduce TIF indebtedness on its 2018 TIF Certification as a result of incorrect certifications made in prior years. However, based on a review of the December 2018 TIF reconciliation provided to the City by the County Auditor, the adjustments made to correct prior year certifications were incomplete, resulting in a remaining net under-certification of \$207,011. Adjustments to correct the remaining net under-certification had not been made on the City's 2021 TIF Certification submitted to the County Auditor on November 8, 2021. The amount under-certified updated for activity in the November 8, 2021 remains at \$148,458.
- From June 2017 through November 2019, the City authorized \$187,830 in internal advances from the General Fund to pay for several urban renewal projects that were included as certified TIF obligations on its 2017, 2018 and 2019 TIF Certifications. The internal advances included projections of future economic development expenses rather than expenses that had already been incurred and paid. Also, procedures were not developed to track and appropriately support all expenses incurred under the internal advances. The tax increment financing program is a reimbursement basis program, meant to reimburse for debt issued and used to pay allowable project costs.
- The City paid \$7,778 of economic development association dues directly from the TIF fund. These should be paid from the general fund and reimbursed from the TIF fund through approved and certified internal loans.

City of Van Meter

Schedule of Findings

Year ended June 30, 2022

Recommendation – The City should use Form 1 to certify portions of TIF obligations which have not been certified and use Form 3 to decertify amounts which have been over certified. The City should decertify internal advances which included projected costs and are not appropriately supported. For future TIF projects, once the City has incurred disbursements for a qualified TIF project from an allowable fund such as the General Fund, the City may approve an advance (interfund loan) from that fund to the TIF Fund and certify the advance to the County Auditor as a TIF obligation for future collection of TIF receipts and reimbursement to the advancing fund to repay the interfund loan.

Response – The City Administrator will review audit comments and make corrections to the 2022 TIF Certification as recommended. The City Administrator will review the internal loans and decertify those portions that do not apply to a reimbursable urban renewal expense as of the 2022 TIF Certification.

Conclusion – Response accepted.

City of Van Meter

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Deputy
Lesley R. Geary, CPA, Manager
Brandon J. Vogel, Senior Auditor II
Brandon L. Weddell, Staff Auditor