

CITY OF VENTURA

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

JUNE 30, 2011

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CITY OF VENTURA

OFFICIALS

<u>Name</u>	Title	_____	Term	<u>Expires</u>
George Simpson		Mayor		Jan 2014
Pat Kuhlemeier		Council Member		Jan 2014
Darwin Avery		Council Member		Jan 2012
John Quintus		Council Member		Jan 2012
Brian Vaage		Council Member		Jan 2014
Mike Thackery		Council Member		Jan 2012
Else Taylor		City Clerk		July 2011
John Sorenson		Attorney		July 2011

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Ventura, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of City of Ventura's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2010.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2010, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Ventura as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our reports dated January 17, 2012 on our consideration of the City of Ventura's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and

other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 12, 23 and 24 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ventura's basic financial statements. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2010, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

January 17, 2012

Renner & Birchem, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Ventura provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

2011 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities increased \$23,751 from fiscal year 2010 to fiscal year 2011. Property tax receipts increased \$51,076, local option sales tax receipts increased \$3,189 and disbursements decreased \$48,175.
- The cash basis net assets of the City's business type activities increased \$28,981, primarily due to receipts exceeding disbursements in the Enterprise, Water and Sewer Funds.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

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

Basis of Accounting

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

The Statement of Activities and Net Assets is divided into two kinds of activities:

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

Fund Financial Statements

The City has two kinds of funds:

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

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

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

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from \$370,790 to \$394,542. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Government Activities

Receipts:	Year Ended
Program receipts:	<u>June 30, 2011</u>
Charges for service	\$ 39,809
Operating grants, contributions and restricted interest	90,391
Capital grants, contributions and restricted interest	6,487
General receipts:	
Property tax	414,442
Local option tax	89,856
Unrestricted interest	2,820
Other general receipts	52,505
Bond proceeds	<u>100,000</u>
Total receipts	<u>796,310</u>
Disbursements:	
Public safety	102,828
Public works	170,222
Health and social services	1,254
Culture and recreation	118,900
Community and economic development	8,359
General government	85,539
Debt service	240,352
Capital projects	<u>45,104</u>
Total disbursements	<u>772,558</u>
Change in cash basis net assets	<u>23,752</u>
Cash basis net assets beginning of year	<u>370,790</u>
Cash basis net assets end of year	<u><u>\$ 394,542</u></u>

The cash basis net assets increase of \$23,751 is primarily due to an increase in property tax receipts of \$51,076, an increase in local option sales tax receipts of \$3,189 and a decrease in disbursements of \$48,175.

Changes in Cash Basis Net Assets of Business Type Activities

Receipts:	Year Ended
Program receipts:	June 30, 2011
Charges for service:	
Water	\$ 88,886
Sewer	32,916
General receipts:	
Unrestricted interest on investments	1,186
Total receipts	<u>122,988</u>
Disbursements:	
Water	71,730
Sewer	<u>22,277</u>
Total disbursements	<u>94,007</u>
Change in cash basis net assets	28,981
Cash basis net assets beginning of year	<u>103,371</u>
Cash basis net assets end of year	<u>\$ 132,352</u>

Total business type activities cash basis net assets increased from a year ago, increasing from \$103,371 at June 30, 2010 to \$132,352 at June 30, 2011. The increase is primarily due to a reduction in water disbursements from fiscal year 2010 to fiscal year 2011.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Ventura completed the year, its governmental funds reported a combined fund balance of \$394,541, an increase of \$23,751 from last year's total of \$370,790. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$19,982 from the prior year to \$277,772.
- The Road Use Tax Fund cash balance increased by \$5,927 to \$25,922 during the fiscal year. The City intends to use this money to upgrade the condition of all city roads.
- There was an increase in the Debt Service Fund cash balance of \$70,888 for an ending balance of \$83,291, due to the City transferring money in to pay for general obligations in the coming year.

- The Special Assessment Fund balance decreased by \$34,428 to zero during the fiscal year. \$34,428 was transferred to the Debt Service Fund to pay final payment.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$17,463 to \$49,602 during the fiscal year.
- The Sewer Fund cash balance increased by \$11,518 to \$82,750 during the fiscal year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget. The amended budget was approved on March 28, 2011 to provide for additional \$21,987 receipts and \$317,608 disbursements to provide for additional disbursements for the public works, culture and recreation and debt service functions.

The City’s receipts were \$379,042 less than budgeted. This was primarily due to the City not receiving as much as anticipated for intergovernmental revenues.

DEBT ADMINISTRATION

At June 30, 2011, the City had \$131,196 in general obligation bonds, compared to \$161,605 at the end of the prior year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2011	2010
General obligation bonds	\$ 131,196	161,605

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt of \$131,196 is below its constitutional debt limit of approximately \$3,885,000.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The City of Ventura’s elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates, and fees that will be charged for various City activities. Economic factors in the area remain steady as the county unemployment rate remains one of the lowest in the state.

These among other economic factors were taken into account when adopting the budget for fiscal year 2012. Amounts available for appropriation in the operating budget are \$408,827, a decrease of 34.1% from the final 2011 budget. Budgeted disbursements are expected to decrease by \$943,868. The City has added no major new programs or initiatives to the 2012 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$46,705 by the close of 2012. Actual amounts can and usually do differ from budgeted amounts.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Else Taylor, City Clerk, 101 Sena Street, Ventura, Iowa.

BASIC FINANCIAL STATEMENTS

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2011

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges	Operating Grants,	Capital Grants,	Governmental Activities	Business	Total
		for Service	Contributions and Restricted Interest	Contributions and Restricted Interest		Type Activities	
Functions / Programs:							
Governmental activities:							
Public safety	\$ 102,828				(102,828)		(102,828)
Public works	170,222	39,620		59,300	(71,302)		(71,302)
Health and social services	1,254				(1,254)		(1,254)
Culture and recreation	118,900	189		18,591	(100,120)		(100,120)
Community and economic development	8,359				(8,359)		(8,359)
General government	85,539			12,500	(73,039)		(73,039)
Debt service	240,352				(240,352)		(240,352)
Capital projects	45,104			6,487	(38,617)		(38,617)
Total governmental activities	772,558	39,809	90,391	6,487	(635,871)		(635,871)
Business type activities:							
Water	71,730	88,886				17,156	17,156
Sewer	22,277	32,916				10,639	10,639
Total business type activities	94,007	121,802				27,795	27,795
Total	\$ 866,565	161,611	90,391	6,487	(635,871)	27,795	(608,076)
General Receipts:							
Property tax levied for:							
General purposes					\$ 273,235		273,235
Debt service					141,207		141,207
Local option sales tax					89,856		89,856
Unrestricted interest on investments					2,820	1,186	4,006
Miscellaneous					52,505		52,505
Bond proceeds					100,000		100,000
Total general receipts and transfers					659,623	1,186	660,809
Change in cash basis net assets					23,752	28,981	52,733
Cash basis net assets beginning of year					370,790	103,371	474,161
Cash basis net assets end of year					\$ 394,542	132,352	526,894
Cash Basis Net Assets							
Restricted:							
Expendable:							
Streets					\$ 25,922		25,922
Debt service					83,291		83,291
Other purposes					92,125		92,125
Unrestricted					193,204	132,352	325,556
Total cash basis net assets					\$ 394,542	132,352	526,894

See notes to financial statements.

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

As of and for the year ended June 30, 2011

	Special Revenue					Total
	General	Road Use Tax	Special Assessment	Debt Service	Capital Project	
Receipts:						
Property tax	\$ 270,359			139,712		410,071
Other city tax	92,732			1,495		94,227
Licenses and permits	3,755					3,755
Use of money and property	29,908					29,908
Intergovernmental	31,092	59,299			6,487	96,878
Charges for services	39,809					39,809
Miscellaneous	21,662					21,662
Total receipts	489,317	59,299		141,207	6,487	696,310
Disbursements:						
Operating:						
Public safety	102,828					102,828
Public works	116,850	53,372				170,222
Health and social services	1,254					1,254
Culture and recreation	118,900					118,900
Community & economic development	8,359					8,359
General government	85,539					85,539
Debt service				240,352		240,352
Capital projects					45,104	45,104
Total disbursements	433,730	53,372		240,352	45,104	772,558
Excess (deficiency) of receipts over (under) disbursements	55,587	5,927		(99,145)	(38,617)	(76,248)
Other financing sources (uses):						
Proceeds of debt					100,000	100,000
Operating transfers in				170,033		170,033
Operating transfers out	(35,605)		(34,428)		(100,000)	(170,033)
Total other financing sources (uses)	(35,605)		(34,428)	170,033		100,000
Net change in cash balances	19,982	5,927	(34,428)	70,888	(38,617)	23,752
Cash balances beginning of year	257,790	19,995	34,428	12,403	46,174	370,790
Cash balances end of year	\$ 277,772	25,922		83,291	7,557	394,542
Cash Basis Fund Balances						
Restricted For:						
Debt service				83,291		83,291
Streets		25,922				25,922
Committed	\$ 3,616				7,557	11,173
Assigned	80,952					80,952
Unassigned	193,204					193,204
Total cash basis fund balances	\$ 277,772	25,922		83,291	7,557	394,542

See notes to financial statements.

Exhibit C

City of Ventura

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

As of and for the year ended June 30, 2011

	Proprietary Funds		
	Water	Sewer Rental	Total
Operating receipts:			
Charges for service	\$ 88,886	32,916	121,802
Total operating receipts	88,886	32,916	121,802
Operating disbursements:			
Business type activities	71,730	22,277	94,007
Total operating disbursements	71,730	22,277	94,007
Excess of operating receipts over operating expenses	17,156	10,639	27,795
Non-operating receipts:			
Interest on investments	307	879	1,186
Net non-operating receipts	307	879	1,186
Net change in cash balances	17,463	11,518	28,981
Cash balance beginning of year	32,139	71,232	103,371
Cash balances end of year	\$ 49,602	82,750	132,352
Cash Basis Fund Balances			
Unrestricted	\$ 49,602	82,750	132,352
Total cash basis fund balances	\$ 49,602	82,750	132,352

See notes to financial statements.

CITY OF VENTURA

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

The City of Ventura is a political subdivision of the State of Iowa located in Cerro Gordo County. It was first incorporated in 1960 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 and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Ventura has included all funds, organizations, agencies, 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. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also 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: Ventura Protective Association Board, Landfill of North Iowa Board, Community Fire Board and Library Board.

B. Basis of Presentation

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

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

CITY OF VENTURA

Notes to Financial Statements (continued)

June 30, 2011

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets 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. The City has elected to report all governmental funds as major 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 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 that are not paid from other funds.

Special Revenue:

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

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

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

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

CITY OF VENTURA

Notes to Financial Statements (continued)

June 30, 2011

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 assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

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

D. Governmental Cash Basis Fund Balances:

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

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 imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts restricted to specific purposes when constraints placed on the use of resources are internally imposed in formal action by the City Council.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

CITY OF VENTURA

Notes to Financial Statements (continued)

June 30, 2011

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2011 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 insure 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. 3 as amended by Statement No. 40.

(3) Bonds Payable

Annual debt service requirements to maturity for general obligation bonded indebtedness is as follows:

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2012	\$ 31,527	4,343
2013	32,649	3,399
2014	33,772	2,370
2015	33,248	1,228
	<u>\$ 131,196</u>	<u>11,340</u>

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2011, was \$8,792 equal to the required contributions for the year.

CITY OF VENTURA

Notes to Financial Statements (continued)

June 30, 2011

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. Sick leave hours are accumulated for subsequent use but are not paid upon termination, retirement or death. Comp time hours are accumulated for subsequent use but are not paid upon termination or retirement. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount June 30, 2011</u>
Vacation	\$ <u>2,744</u>

This liability has been computed based on rates of pay as of June 30, 2011.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 35,605
	Special Assessment	34,428
	Capital Projects	<u>100,000</u>
Total	\$170,033	<u><u> </u></u>

(7) Other Post Employment Benefits (OPEB)

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 2 active and no retired members in the plan. Participants must be age 55 or older at retirement.

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

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$400 for single coverage and \$1,024 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011 the City contributed \$17,072.

CITY OF VENTURA

Notes to Financial Statements (continued)

June 30, 2011

(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) Construction Contracts

The City entered into construction contracts totaling \$3,449,409 for street improvement project to be financed from general obligation bonds.

REQUIRED SUPPLEMENTARY INFORMATION

City of Ventura

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

Required Supplementary Information

Year ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 410,071		410,071	411,150	411,150	(1,079)
Other city tax	94,227		94,227	94,416	94,416	(189)
Licenses and permits	3,755		3,755	3,185	3,185	570
Use of money and property	29,908	1,186	31,094	32,950	32,950	(1,856)
Intergovernmental	96,878		96,878	463,902	482,889	(386,011)
Charges for services	39,809	121,802	161,611	159,050	159,050	2,561
Miscellaneous	21,662		21,662	11,700	14,700	6,962
Total receipts	696,310	122,988	819,298	1,176,353	1,198,340	(379,042)
Disbursements:						
Public safety	102,828		102,828	113,719	113,719	10,891
Public works	170,222		170,222	167,832	185,177	14,955
Health and social services	1,254		1,254	2,000	2,000	746
Culture and recreation	118,900		118,900	97,500	128,017	9,117
Community and economic development	8,359		8,359	8,360	8,360	1
General government	85,539		85,539	89,504	89,504	3,965
Debt service	240,352		240,352	177,457	447,203	206,851
Capital Projects	45,104		45,104	3,076,300	3,076,300	3,031,196
Business type activities		94,007	94,007	136,396	136,396	42,389
Total disbursements	772,558	94,007	866,565	3,869,068	4,186,676	3,320,111
Excess (deficiency) of receipts over (under) disbursements	(76,248)	28,981	(47,267)	(2,692,715)	(2,988,336)	2,941,069
Other financing sources, net	100,000		100,000	2,688,300	2,988,300	(2,888,300)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	23,752	28,981	52,733	(4,415)	(36)	52,769
Balances beginning of year	370,790	103,371	474,161	351,192	351,192	122,969
Balances end of year	\$ 394,542	132,352	526,894	346,777	351,156	175,738

See accompanying independent auditor's report.

City of Ventura

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

The budgetary comparison is presented as Required Supplementary Information 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 Internal Service Funds. 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, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year one budget amendment increased budgeted disbursements by \$317,608. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements did not exceed the amounts budgeted by function.

OTHER SUPPLEMENTARY INFORMATION

City of Ventura
 Schedule of Indebtedness
 Year ended June 30, 2011

Obligation	Date of Issue	Rate of Interest	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General Obligation:								
Community Center	7/30/2003	4.00%	\$ 155,000	115,000		21,000	94,000	4,613
Dredging Loan	7/29/2008	1.25	56,250	46,605		9,409	37,196	583
Total general obligation bonds				\$ 161,605		30,409	131,196	5,196

See accompanying independent auditor's report.

CITY OF VENTURA

Bond and Note Maturities

June 30, 2011

Year Ending June 30,	GENERAL OBLIGATION				
	Community Center Issued July 30, 2003		Dredging Loan Issued July 29, 2008		Total
	Interest Rates	Amount	Interest Rates	Amount	
2012	4.00%	\$ 22,000	1.25%	9,527	31,527
2013	4.00	23,000	1.25	9,649	32,649
2014	4.00	24,000	1.25	9,772	33,772
2015	4.00	25,000	1.25	8,248	33,248
Total		\$ 94,000		37,196	131,196

See accompanying independent auditor's report.

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 the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Ventura, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated January 17, 2012. Our report on the financial statements which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2010. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Ventura's internal control over financial reporting as a basis for designing our auditing procedures 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 Ventura's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Ventura's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Ventura's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-11 and I-B-11 and I-C-11 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-D-11 and I-E-11 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Ventura's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Ventura's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Ventura and other parties to whom the City of Ventura may report and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Ventura 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.

January 17, 2012

Renner

& Birchem, P.C.

CITY OF VENTURA
Schedule of Findings
Year Ended June 30, 2011

Part I: Findings Related to the Financial Statements:

Significant Deficiencies:

I-A-11 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts functions and the cash disbursement functions are all done by the same person.

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

Response - We will investigate this.

Conclusion - The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-11 Preparation of Financial Statements - The City does not have an internal control system designed to provide for the preparation of the financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for the governmental entity similar in population to the City of Ventura. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Recommendation - We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, the City's management and those charged with governance should decide whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - The City will continue to review and monitor procedures currently in place and evaluate the risks to be accepted in preparation of the financial statements.

Conclusion - Response accepted.

I-C-11 Reconciliation of Utility Billings, Collections and Delinquencies - Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent accounts listing was not prepared. Also, utility collections were not reconciled to deposits.

Recommendation - A listing of delinquent accounts should be prepared on a monthly basis. Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period and to reconcile collections to deposits. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

CITY OF VENTURA
Schedule of Findings
Year Ended June 30, 2011

Part I: Findings Related to the Financial Statements (continued):

Response – These procedures have been implemented as recommended

Conclusion – Response accepted

I-D-11 Posting of Financial Transactions – Receipts and disbursements were not always posted to the correct accounts.

Recommendation – More care should be exercised when posting transactions to reduce the incidence of mispostings.

Response – In the future, more care will be exercised when posting transactions.

Conclusion – Response accepted.

I-E-11 Credit Cards – The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges. Additionally, supporting documentation was not always available to support credit card charges.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – Although we have not established a formal written policy detailing specifics on the use of City credit cards, we have unwritten guidelines. We will review procedures and guidelines and establish a written policy.

Conclusion - Response accepted

Instances of Non-Compliance:

No matters were reported.

CITY OF VENTURA
Schedule of Findings
Year Ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-11 Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-B-11 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-C-11 Business Transactions – No business transactions between the City and City officials or employees were noted.
- II-D-11 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 insure that the coverage is adequate for current operations.
- II-E-11 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-F-11 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- II-G-11 Certified Budget - Disbursements during the year ended June 30, 2011, did not exceed the amounts budgeted.
- II-H-11 Electronic Checks – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City did not obtain an image of the back of each cancelled check as required.

Recommendation – The City should obtain and retain check images as required.

Response – The bank will be notified that both sides of the checks will also be required on the bank statement for the City’s accounts.

Conclusion – Response accepted.