

Financial Statements

City of Vinton

June 30, 2004

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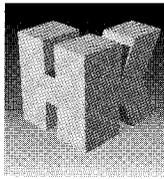
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City of Vinton

List of Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Elected Officials		
John R. Watson	Mayor	January 1, 2006
Randall Forsyth	Council Member – 1 st Ward	January 1, 2006
F. Ronald Elwick	Council Member – 2 nd Ward	January 1, 2008
Bill Owens	Council Member – 3 rd Ward	January 1, 2006
Lisa Vermedahl	Council Member – 4 th Ward	January 1, 2008
Casey Cooling	Council Member at Large	January 1, 2006
Don Burkey	Council Member at Large	January 1, 2008
Appointed Officials		
Cindy Michael	Treasurer/City Clerk	Indefinite
Donald J. Martin	City Coordinator	Indefinite
Fischer Law Firm	City Attorney	Indefinite



Honkamp Krueger & Co., P.C.
*Certified Public Accountants
& Business Consultants*

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
Vinton, Iowa

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 Vinton, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the management of City of Vinton, Iowa. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions 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 opinion.

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 accounting principles generally accepted in the United States of America.

As discussed in Note 13, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures and Statement No. 41, Budgetary Comparison Schedules – Perspective Differences.

In our opinion, based on our audit, 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 Vinton as of June 30, 2004, 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 report dated September 22, 2004 on our consideration of the City of Vinton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 15 and 35 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Vinton's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Horst Kamp Krueger & Co.

Dubuque, Iowa
September 22, 2004

City of Vinton

Management's Discussion and Analysis

The City of Vinton 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, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operation.

2004 FINANCIAL HIGHLIGHTS

- State Revenue Reduction – For fiscal year 2004, no State shared revenue was received due to State budget cutbacks adopted by the Legislature. The State also halted Bank franchise payments to the City after fiscal year 2004. Both are eliminated for fiscal year 2005 and would have amounted to approximately \$87,670. The City also had a shortfall from budget on the utility replacement tax of \$2,941 spread among five funds due to State adjustments.
- Debt Service – In November 2003, the City sold a \$1,390,000 15-year bond issue for Street improvements. Of that amount \$472,593, was deposited in the TEA 21 Fund for local share of three STP funded projects; Highway 150, Highway 218 and Brick Streets Restoration. In March 2004, the City authorized issuance of \$60,000 General Obligation Notes for the purpose of swimming pool improvements and compost facility. Of this issuance, \$39,180 would be paid back to the Electric Utility (including interest of 2%) from a tax levy and used to finish the water slide. The amount of \$38,202 will be borrowed in July 2004. In April 2004, the City refinanced outstanding General Obligation (TIF funded) debt saving \$46,123, with a present value of \$32,025.
- Natural Gas Franchise – In April 2004, the City adopted a 25-year natural gas franchise with a 1% franchise fee. The fee will be collected by Alliant Energy starting January 2005, and should provide the General Fund with \$18,000 to \$20,000 per year.
- Speculative Shell Building – The 30,000 sq. ft. spec building in which the City invested water and sewer funds was sold at auction in August 2003 and the City mortgage repaid.
- Land Purchases – The City purchased 9.19 acres north of the Cedar River Bridge from IDOT for \$2,800. This land is added to a site known as the brush dump which is mostly flood plain. The City purchased a house destroyed by fire at 719 E. 4th Street for \$5,000. The house was demolished and a clean lot was resold.
- Union Contract – In February, the City approved a new three-year contract (2004-2007) with the IBEW for Street, Water and Sewer employees.

City of Vinton Management's Discussion and Analysis

- Equipment & Vehicle Repair & Replacement – The City ordered a replacement police vehicle for \$16,294, including trade-in with approximately half paid from the 2004 budget and half from the 2005 budget. In April 2004, repair of the “muffin monster” sewage grinder done on replacement basis every seven to ten years cost \$11,473 (Sewer Fund). Repair of the Street Department’s older road grader cost \$14,239 in July 2003. The Parks Department purchased \$16,500 worth of replacement lockers for the pool from funds transferred from General Fund to Capital Projects Fund (a two year project in which \$8,500 will be paid in fiscal year 2005). In June, the City awarded a bid and ordered a replacement fire pumper truck for \$171,623, of which 70% will be included on the next bond issue.
- Local Option Sales Tax – In January 2004, a vote on a 1% LOST failed. The purpose was to be one-half for school buildings and one-half for street repair.
- Donations and Contributions – In January 2004, the City received a donation from the estate of Natalie Grubb; \$10,000 for the Animal Shelter and \$50,000 for the Library. In March 2004, Vinton Municipal Electric Utility transferred \$55,000 to the City to be used to help finish the giant water slide at the City pool as a contribution. Nina Smith left \$10,372 to the Library and \$35,853 to the Parks & Recreation Department.
- Garbage/Recycling Collection & Yard Waste Management – The City signed a five-year contract with Waste Management of Iowa for mandatory residential collection of garbage and separated commingled recyclable materials. The contract began July 1, 2003. The City bills residential dwellings on its combined utility bill and pays Waste Management monthly. The City began looking for another site to compost yard waste. The existing site was in flood plain and violated DNR composting rules.
- Capital Improvement Projects Completed or Started – **Highway 150 Improvements** with local, IDOT and STP funding was completed, but not finally accepted nor retainage paid as of June 30, 2004. **Highway 218 Improvements** with local, IDOT and STP funding started. The **Maple Lane Street Improvement Project** was finished and accepted in October. The **Highway 150 Sanitary Sewer Manhole Replacement** was finished and accepted. The **2003 9th St. & D Ave. Curb & Gutter Project** which started in April was completed, but not accepted nor retainage paid as of June 30, 2004. The **E 5th St. to E 6th St. Sewer/Water Extension Project** which began in March was completed but not accepted as of June 30, 2004. The **Maple Lane Sanitary Sewer, 1st Ave. Storm Sewer and 11th Ave. Sanitary Sewer** projects were finally accepted and closed out in March. The **Sanitary Sewer Extension to Eastview Estates Second Addition Project** began. The **Airport GAVI Fuel Facility Upgrade** (a \$37,800 70% IDOT grant) that included credit card use was completed and accepted. A \$239,400 (90% of project cost) FAA-AIP grant project for **Apron Expansion, Terminal Area Improvements and Entrance Road Overlay** began. The low bid for construction was from Tschiggfrie Excavating Co. of Dubuque in the

City of Vinton Management's Discussion and Analysis

amount of \$195,066.95. A 1998 IDOT AIP grant for **Obstruction Removal** at the Airport was signed off as completed by the engineer and Airport Commission in 2002. However, IDOT did not pay the final reimbursement to the City of \$1,381.95 because their final inspection showed that the property owner had not removed stumps and debris. The property owner had been paid in advance (per easement agreement) to remove trees and clean up. As of June 30, 2004, the site has not been cleaned and young trees were growing back.

- Cash Balance – In the General Operations Fund at the beginning of the fiscal year was \$231,436. Ending cash balance has been budgeted to be 15% of revenues (not including transfers in) as a carry over minimum goal. Original adopted budgeted cash balance for the year ended June 30, 2004 was \$162,649. Actual ending cash balance was \$206,495. The excess can be accounted for in expenditure accounts as follows: six budgeted activities were over expended by an amount that was not material (less than \$500 each); Elections was over expended \$5,089, because of the special election for the Local Option Tax which was not budgeted; and Animal Control was over expended \$2,021, primarily because of more animals being impounded than normal. These were offset by under expenditures in other activities, the largest three of which were – Finance Administration \$10,375, Street Department \$16,250 and Fire Department \$7,672.
- Budget Amendment – On May 27th, the Council adopted a City Budget Amendment and Certification Resolution. A budget amendment was necessary because of the bond refinancing, new bond issue cited above, and the Parks and Recreation water slide and mini-golf projects also cited above.
- Emergency Fund – The final payment to Vinton Municipal Electric Utility for the City Siren Warning System will be June 1, 2005. The plan for the following year is the same tax levy to replace the old siren next to City Hall and for maintenance of the system. In the years following that, at the same levy rate, funds will be used for maintenance (including insurance, any testing cost and emergency management cost not assigned to any department) and to accumulate funds for recovery from any emergency or disaster. Such accumulated emergency funds should be budgeted as a transfer to the General Fund.
- General Cost Increases of Note – The cost for **health insurance premiums** (for employees with the P.R.I.M.E. self-insurance portion) including dental insurance, this year was 19.1% more than the previous year. The policy year is the same as the fiscal year. The cost increase for next year will be 10.4%. The cost of **postage** increased this year because the City changed from post card billing for combined utilities to a window envelope. The envelope allows better communication with citizens with timely messages and fliers.

City of Vinton Management's Discussion and Analysis

- FEMA Public Assistance for Declared Disaster – Benton County was declared to be a disaster county in the Spring of 2004. The storm of May 23rd and flooding resulted in the City claiming damage costs of \$19,216. If applications are approved, the City will receive 85% of the damages plus 3% administrative costs to be deposited in four funds, including the Electric Utility, in fiscal year 2005.

- Emergency Response and Disaster Mitigation – In January, the City did a Water Vulnerability Assessment and Emergency Response Plan for the water system required by the EPA. A backup generator is part of the plan. Financial assistance for this will hopefully be available from future Homeland grants. The City applied for planning funds through ECICOG for a \$3,500 grant for a Hazard Mitigation Plan required by FEMA for cities in the National Flood Insurance Program. The local Multi Hazard EOP has been updated to include a business continuation plan. NFPA 1600 was used as a guideline. As a result of the Benton County declared disaster cited above, the City has filed notice of intent to apply for a buy out of one repetitive loss property and a second trash pump under the hazard mitigation program administered by the State.

- LMI General Homebuyer Assistance – The City received a \$317,573 HOME investment partnership program grant in April 2002, from IDED. The original grant program expired July 31, 2004 but was extended to July 31, 2005. The grant program is administered by ECICOG for the City.

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.

City of Vinton

Management's Discussion and Analysis

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.

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 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 which 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, 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 water department and wastewater treatment utilities. These activities are financed primarily by user charges.

City of Vinton

Management's Discussion and Analysis

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment (TIF), 3) the Debt Service Fund, and 4) the Capital Projects Funds. 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 statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary Funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and wastewater treatment funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate cost internally among the City's various functions.

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

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

The City as Trustee

The City is the trustee, or *fiduciary*, for its trust, reserve and utility deposits. All of the City's fiduciary activities are reported in a separate Statement of Cash Receipts, Disbursements and Changes in Cash Balances on page 21. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in this fund are used for its intended purpose.

City of Vinton

Management's Discussion and Analysis

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, increasing from \$1,461,156 to \$2,346,897. The analysis that follows focuses on the changes in cash balances for governmental activities.

City of Vinton	
Changes in Cash Basis Net Assets of Governmental Activities	
	Year Ended June 30, 2004
Receipts and Transfers:	
Program Receipts:	
Charges for service	\$ 871,064
Operating grants, contributions and restricted interest	558,435
Capital grants, contributions and restricted interest	148,932
General Receipts:	
Property Tax	1,498,722
Licenses, Permits & Franchise Fees	30,544
Franchise Tax	7,178
Unrestricted Interest on Investments	54,364
Debt Proceeds	2,025,000
Other General Receipts	198,103
Sale of Assets	6,500
Transfers, net	373,795
Total Receipts and Transfers	\$ 5,772,637

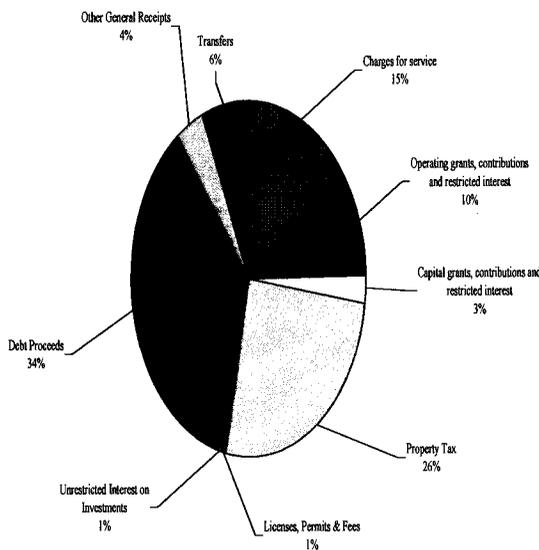
City of Vinton Management's Discussion and Analysis

City of Vinton Changes in Cash Basis Net Assets of Governmental Activities

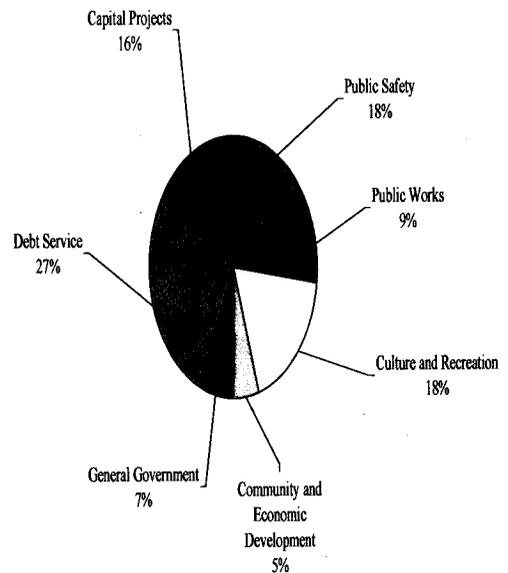
Year Ended June 30,
2004

Disbursements:		
Public Safety	\$	861,083
Public Works		448,162
Health and Social Services		11,329
Culture and Recreation		898,418
Community and Economic Development		240,546
General Government		324,159
Debt Service		1,298,258
Capital Projects		<u>804,941</u>
Total Disbursements		<u>4,886,896</u>
Increase in Cash Basis Net Assets		885,741
Cash Basis Net Assets, Beginning of Year		<u>1,461,156</u>
Cash Basis Net Assets, End of Year	\$	<u><u>2,346,897</u></u>

Source by Receipts



Disbursements by Function



City of Vinton Management's Discussion and Analysis

The City's receipts and transfers for governmental activities totaled \$5,772,637 for Fiscal 2004. The total cost of all programs and services was \$4,886,896. The net excess increased cash balances on hand by \$885,741 for Fiscal 2004.

The City had a slight decrease in property tax rates for 2004 by an average of 1% percent. This resulted in a \$16,804 reduction in property tax revenues.

The cost of all governmental activities this year was \$4,886,896 compared to \$3,667,332 last year. As shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was only \$1,498,722 because some of the cost was paid by those directly benefiting from the programs (\$871,064) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$707,367). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$1,809,743 in Debt Proceeds and other general receipts.

City of Vinton Changes in Cash Basis Net Assets of Business Type Activities	
	Year Ended June 30, 2004
Receipts:	
Program Receipts:	
Charges for service:	
Water Utility	\$ 471,343
Wastewater Treatment	383,128
General Receipts:	
Unrestricted Interest on Investments	24,917
Other General Receipts	44,189
Total Receipts	923,577
Disbursements and Transfers:	
Water Utility	311,150
Wastewater Treatment	321,629
Transfers	182,922
Total Disbursements and Transfers	815,701
Increase in Cash Balance	107,876
Cash Basis Net Assets, Beginning of Year	1,455,125
Cash Basis Net Assets, End of Year	\$ 1,563,001

City of Vinton

Management's Discussion and Analysis

Total business type activities receipts for the fiscal year were \$923,577 compared to \$921,566 last year. The cash balance increased by approximately \$107,876 from the prior year. Total disbursements and transfers for the fiscal year decreased by 12% to a total of \$815,701 because several additional expenses were incurred in the prior year for the various water and wastewater treatment projects.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Vinton completed the year, its governmental funds reported a combined fund balance of \$2,346,897, an increase of approximately \$885,741 above last year's total of \$1,461,156. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$109,218 from the prior year to \$573,574.
- The General CIP Fund was established to account for major capital projects incurred and used in conjunction with the City's general operation. At the end of the fiscal year, the cash balance was \$807,953, an increase of \$799,933 from the prior year. This increase was due to debt proceeds of \$917,407 to cover projects not yet started at year-end.
- The TEA 21 CIP Fund was established to account for major capital projects on the City's infrastructure. The cash balance at the end of the fiscal year increased to \$206,843, primarily due to receipts of grant revenues, where expenditures were incurred in the prior year. In Fiscal 2004, the City had several projects in process at year-end, which encompassed several fiscal years. Those projects include Highway 150 and 218 Improvements.
- The Debt Service Fund was established to account for debt obligations of the City. At the end of the fiscal year, the cash balance was \$229,398, a decrease of \$15,618 from the previous year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Utility cash balance increased by \$24,935 to \$409,052, due primarily to a decrease in current year Capital Outlay.
- The Wastewater Treatment cash balance increased by \$82,941 to \$1,153,949, also due to a decrease in current year Capital Outlay.

City of Vinton

Management's Discussion and Analysis

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 27, 2004. The City had sufficient cash balances to absorb these additional costs.

DEBT ADMINISTRATION

At June 30, 2004, the City had approximately \$5,629,985 in bonds and other long-term debt, compared to approximately \$4,660,021 last year, as shown below:

City of Vinton Outstanding Debt at Year-End		
	June 30,	
	2004	2003
General Obligation Bonds	\$ 4,530,000	\$ 3,309,700
2002 Water Revenue Bonds	37,000	135,300
Water Revenue Bonds	1,005,000	1,139,000
Real Estate Contracts	<u>57,985</u>	<u>76,021</u>
 Total	 <u>\$ 5,629,985</u>	 <u>\$ 4,660,021</u>

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 \$4,530,000 is below its constitutional debt limit of \$4,940,500.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Vinton's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged for various City activities.

City of Vinton

Management's Discussion and Analysis

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.2 percent for fiscal year 2004 compared with the national rate of 3.4 percent. Inflation has been modest here due in part to the slowing of the residential housing market and modest increases in energy prices in 2003-2004.

For 2005, the City has incorporated estimated revenues and expenditures into the budget for several anticipated capital projects, including several street renovations and several other miscellaneous projects. These projects are to be financed by general obligation issues, tax increment financing and community pledges.

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 Cindy Michael, 110 West Third Street – PO Box 529, Vinton, IA 52349.

City of Vinton
Statement of Activities and Net Assets - Cash Basis
As of and for the Year Ended June 30, 2004

		Program Receipts		Program Receipts
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Functions / Programs:				
Primary Government:				
Governmental Activities:				
Public Safety	\$ 593,137	\$ 4,494	\$ 31,436	\$ -
Public Works	804,914	311,205	424,933	-
Health and Social Services	11,329	-	-	-
Culture and Recreation	898,418	554,577	14,373	-
Community and Economic Development	151,740	592	-	-
General Government	324,159	196	87,693	-
Debt Service	1,298,258	-	-	-
Capital Projects	804,941	-	-	148,932
Total Governmental Activities	4,886,896	871,064	558,435	148,932
Business Type Activities:				
Water Utility	311,150	471,343	-	-
Wastewater Treatment	321,629	383,128	-	-
Total Business Type Activities	632,779	854,471	-	-
Total Primary Government	\$ 5,519,675	\$ 1,725,535	\$ 558,435	\$ 148,932
Component Unit:				
Vinton Municipal Electric Utility	\$ 2,399,956	\$ 2,463,984	\$ -	\$ -
General Receipts:				
Property Tax Levied for:				
General Purposes				
Insurance				
Employee Benefits				
Tax Increment Financing				
Debt Service				
Emergency Fund				
Licenses, Permits and Franchise Fees				
Franchise Tax				
Unrestricted Interest on Investments				
Bond Proceeds				
Miscellaneous				
Sale of Assets				
Transfers In (Out)				
Total General Receipts and Transfers				
Change in Cash Basis Net Assets				
Cash Basis Net Assets, Beginning of Year, As Restated				
Cash Basis Net Assets, End of Year				
Cash Basis Net Assets				
Restricted:				
Urban Renewal Purposes				
Debt Service				
Other Purposes				
Unrestricted				
Total Cash Basis Net Assets				

Net (Disbursements) Receipts and
Change in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total	Component Unit
\$ (557,207)	\$ -	\$ (557,207)	\$ -
(68,776)	-	(68,776)	-
(11,329)	-	(11,329)	-
(329,468)	-	(329,468)	-
(151,148)	-	(151,148)	-
(236,270)	-	(236,270)	-
(1,298,258)	-	(1,298,258)	-
(656,009)	-	(656,009)	-
<u>(3,308,465)</u>	<u>-</u>	<u>(3,308,465)</u>	<u>-</u>
-	160,193	160,193	-
-	61,499	61,499	-
-	<u>221,692</u>	<u>221,692</u>	-
<u>(3,308,465)</u>	<u>221,692</u>	<u>(3,086,773)</u>	-
-	-	-	64,028
723,459	-	723,459	-
105,661	-	105,661	-
74,075	-	74,075	-
286,325	-	286,325	-
300,233	-	300,233	-
8,969	-	8,969	-
30,544	-	30,544	-
7,178	-	7,178	-
54,364	24,917	79,281	47,066
2,025,000	-	2,025,000	-
198,104	44,189	242,293	-
6,500	-	6,500	(2,494)
373,794	(182,922)	190,872	(201,994)
<u>4,194,206</u>	<u>(113,816)</u>	<u>4,080,390</u>	<u>(157,422)</u>
885,741	107,876	993,617	(93,394)
1,461,156	1,455,125	2,916,281	3,768,981
<u>\$ 2,346,897</u>	<u>\$ 1,563,001</u>	<u>\$ 3,909,898</u>	<u>\$ 3,675,587</u>
\$ 403,540	\$ -	\$ 403,540	\$ -
229,398	270,535	499,933	-
1,106,573	-	1,106,573	-
607,386	1,292,466	1,899,852	3,675,587
<u>\$ 2,346,897</u>	<u>\$ 1,563,001</u>	<u>\$ 3,909,898</u>	<u>\$ 3,675,587</u>

See Notes to Financial Statements

City of Vinton
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the Year Ended June 30, 2004

	General	Capital
	General	General
Receipts:		
Property Tax	\$ 723,459	\$ -
Tax Increment Financing Collections	-	-
Other City Tax	8,969	-
Licenses and Permits	30,544	-
Use of Money and Property	28,387	5,059
Intergovernmental	98,442	-
Charges for Service	871,064	-
Miscellaneous	99,394	20,115
Total Receipts	1,860,259	25,174
Disbursements:		
Operating:		
Public Safety	593,137	-
Public Works	506,521	-
Health & Social Services	11,329	-
Culture and Recreation	898,418	-
Community and Economic Development	151,740	-
General Government	302,776	-
Debt Service	-	20,602
Capital Projects	-	203,046
Total Disbursements	2,463,921	223,648
Excess (Deficiency) of Receipts over (under) Disbursements	(603,662)	(198,474)
Other Financing Sources (Uses)		
Sale of Capital Assets	6,500	-
Debt Proceeds	-	917,407
Operating Transfers In	531,370	81,000
Operating Transfers Out	(43,426)	-
Total Other Financing Sources (Uses)	494,444	998,407
Net Change in Cash Balances	(109,218)	799,933
Cash Balances, Beginning of Year	682,792	8,020
Cash Balances, End of Year	\$ 573,574	\$ 807,953
Cash Basis Fund Balances		
Reserved:		
Debt Service	\$ -	\$ -
Unreserved:		
General Fund	573,574	-
Special Revenue Funds	-	-
Capital Project Funds	-	807,953
Total Cash Basis Fund Balances	\$ 573,574	\$ 807,953

Exhibit B

<u>Projects</u>		<u>Other Nonmajor Governmental Funds</u>		<u>Total</u>
<u>TEA 21</u>	<u>Debt Service</u>			
\$ -	\$ 273,319	\$ 179,736	\$ 1,176,514	
-	-	286,325	286,325	
-	26,914	-	35,883	
-	-	-	30,544	
850	19,373	695	54,364	
138,034	-	424,933	661,409	
-	-	-	871,064	
91,414	-	10,305	221,228	
<u>230,298</u>	<u>319,606</u>	<u>901,994</u>	<u>3,337,331</u>	
-	-	-	593,137	
-	-	298,393	804,914	
-	-	-	11,329	
-	-	-	898,418	
-	-	-	151,740	
-	-	-	302,776	
-	1,277,656	-	1,298,258	
569,995	-	31,900	804,941	
<u>569,995</u>	<u>1,277,656</u>	<u>330,293</u>	<u>4,865,513</u>	
<u>(339,697)</u>	<u>(958,050)</u>	<u>571,701</u>	<u>(1,528,182)</u>	
-	-	-	6,500	
472,593	635,000	-	2,025,000	
-	307,432	13,998	933,800	
-	-	(516,580)	(560,006)	
<u>472,593</u>	<u>942,432</u>	<u>(502,582)</u>	<u>2,405,294</u>	
132,896	(15,618)	69,119	877,112	
73,947	245,016	426,198	1,435,973	
\$ <u>206,843</u>	\$ <u>229,398</u>	\$ <u>495,317</u>	\$ <u>2,313,085</u>	
\$ -	\$ 229,398	\$ -	\$ 229,398	
-	-	-	573,574	
-	-	403,540	403,540	
206,843	-	91,777	1,106,573	
\$ <u>206,843</u>	\$ <u>229,398</u>	\$ <u>495,317</u>	\$ <u>2,313,085</u>	

See Notes to Financial Statements

City of Vinton
Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances to the Statement of Activities
and Net Assets - Governmental Funds
As of and for the Year Ended June 30, 2004

Total Governmental Funds Cash Balance (page 17)	\$	2,313,085
--------------------------------------------------------	----	-----------

*Amounts Reported for Governmental Activities in the
Statement of Activities and Net Assets are different because:*

The Internal Service Funds are used by management to charge the costs of partial self funding of the City's health insurance benefit plan and payroll costs to individual funds. The assets of the Internal Service Funds are included in the governmental activities in the Statement of Net Assets.

		33,812
Cash Basis Net Assets of Governmental Activities (page 16)	\$	<u>2,346,897</u>

Net Change in Cash Balances (page 17)	\$	877,112
----------------------------------------------	----	---------

*Amounts Reported for Governmental Activities in the
Statement of Activities and Net Assets are different because:*

The Internal Service Funds are used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Funds is reported with governmental activities.

		8,629
Change in Cash Balance of Governmental Activities (page 16)	\$	<u>885,741</u>

City of Vinton
Statement of Cash Receipts, Disbursements and Changes in
Cash Balances - Proprietary Funds
As of and for the Year Ended June 30, 2004

	Enterprise Funds		
	Water Utility	Wastewater Treatment	Total
Operating Receipts:			
Use of Money and Property	\$ 7,807	\$ 17,110	\$ 24,917
Charges for Service	471,343	383,128	854,471
Miscellaneous	12,086	32,129	44,215
Total Operating Receipts	<u>491,236</u>	<u>432,367</u>	<u>923,603</u>
Operating Disbursements:			
Governmental Activities:			
General Government	-	-	-
Business Type Activities	311,150	321,629	632,779
Total Operating Disbursements	<u>311,150</u>	<u>321,629</u>	<u>632,779</u>
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	<u>180,086</u>	<u>110,738</u>	<u>290,824</u>
Non-Operating Receipts (Disbursements):			
Miscellaneous	-	(26)	(26)
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>180,086</u>	<u>110,712</u>	<u>290,798</u>
Other Financing Sources (Uses)			
Operating Transfers In	83,213	61,356	144,569
Operating Transfers Out	(238,364)	(89,127)	(327,491)
Total Other Financing Sources (Uses)	<u>(155,151)</u>	<u>(27,771)</u>	<u>(182,922)</u>
Net Change in Cash Balances	24,935	82,941	107,876
Cash Balances Beginning of Year	<u>384,117</u>	<u>1,071,008</u>	<u>1,455,125</u>
Cash Balances End of Year	<u>\$ 409,052</u>	<u>\$ 1,153,949</u>	<u>\$ 1,563,001</u>
Cash Basis Fund Balances			
Reserved for Debt Service	\$ 270,535	\$ -	\$ 270,535
Unreserved	<u>138,517</u>	<u>1,153,949</u>	<u>1,292,466</u>
Total Cash Basis Fund Balance	<u>\$ 409,052</u>	<u>\$ 1,153,949</u>	<u>\$ 1,563,001</u>

Internal Service Funds		
Revolving Fund	Payroll Clearing	Total
\$ -	\$ -	\$ -
-	2,123,208	2,123,208
<u>13,656</u>	<u>-</u>	<u>13,656</u>
<u>13,656</u>	<u>2,123,208</u>	<u>2,136,864</u>
13,205	2,115,030	2,128,235
<u>-</u>	<u>-</u>	<u>-</u>
<u>13,205</u>	<u>2,115,030</u>	<u>2,128,235</u>
<u>451</u>	<u>8,178</u>	<u>8,629</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>451</u>	<u>8,178</u>	<u>8,629</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>451</u>	<u>8,178</u>	<u>8,629</u>
<u>-</u>	<u>25,183</u>	<u>25,183</u>
<u>\$ 451</u>	<u>\$ 33,361</u>	<u>\$ 33,812</u>
\$ -	\$ -	\$ -
<u>451</u>	<u>33,361</u>	<u>33,812</u>
<u>\$ 451</u>	<u>\$ 33,361</u>	<u>\$ 33,812</u>

See Notes to Financial Statements

City of Vinton
Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances to the Statement of Activities
and Net Assets - Proprietary Funds
As of and for the Year Ended June 30, 2004

Total Enterprise Funds Cash Balance (page 19)	\$	1,563,001
-----------------------------------------------	----	-----------

*Amounts Reported for Business Type Activities in the
Statement of Activities and Net Assets are different because:*

None		-
Cash Basis Net Assets of Business Type Activities (page 16)	\$	<u>1,563,001</u>

Net Change in Cash Balances (page 19)	\$	107,876
---------------------------------------	----	---------

*Amounts Reported for Business Type Activities in the
Statement of Activities and Net Assets are different because:*

None		-
Change in Cash Balance of Business Type Activities (page 16)	\$	<u>107,876</u>

City of Vinton
Statement of Cash Receipts, Disbursements and Changes
in Cash Balances
Fiduciary Funds
As of and for the Year Ended June 30, 2004

		<u>Agency Funds</u>
Receipts:		
Use of Money and Property	\$	1,123
Deposits		24,422
Total Receipts		<u>25,545</u>
Disbursements:		
Interest		507
Refunds of Deposits		22,322
Total Deductions		<u>22,829</u>
Other Financing Sources (Uses):		
Transfer In		<u>11,121</u>
Total Other Financing Sources (Uses)		<u>11,121</u>
Net Change in Cash Balances		13,837
Cash Balances - Beginning of the Year		<u>135,199</u>
Cash Balances- End of the Year	\$	<u><u>149,036</u></u>

City of Vinton

Notes to Financial Statements

NOTE 1. Nature of Organization and Significant Accounting Policies

The City of Vinton, Iowa, is a political subdivision of the State of Iowa located in Benton County. It was first incorporated in 1869, 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, recreation, public improvements, and general administrative services.

The significant accounting policies of the City of Vinton are as follows:

Reporting Entity

For financial reporting purposes, the City of Vinton has included all funds, organizations, account groups, agencies, boards, commissions, authorities and component units. 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 Vinton, Iowa (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Certain disclosures about the discretely presented component unit are not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the City Clerk's office.

Discretely Presented Component Unit

The Vinton Municipal Electric Utility is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Utility is governed by a three-member board appointed by the Mayor and approved by the City Council, and the Utility's operating budget is included with the City's budget approved by the City Council.

City of Vinton

Notes to Financial Statements

NOTE 1. Significant Accounting Policies (Continued)

Jointly Governed Organizations

The City also participates in several jointly governed organizations for which the City is either not financially accountable or the nature and significance of the organizations' relationships with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following boards and commissions which are not included in the City's financial statements: Benton County Emergency Management Commission, Benton County Enhancement Committee, Benton County Joint E911 Service Board, Benton County Landfill Commission, Heartland Iowa Area Safety and Support Organization, North Benton Ambulance Board, Vinton Community Foundation Board, Vinton Unlimited Board and Virginia Gay Hospital Board.

Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of 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 two categories:

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

Unrestricted Net Assets consist of net assets that do not meet 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.

City of Vinton

Notes to Financial Statements

NOTE 1. Significant Accounting Policies (Continued)

Basis of Presentation (continued)

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 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.

Capital Projects:

The General (CIP) Fund is used to account for resources used in the acquisition or construction of major capital facilities and capital assets used in the City's general operations.

The TEA 21 (CIP) Fund is used to account for resources used in major transportation improvement projects on streets used in the city.

Debt Service:

The Debt Service Fund is used to account for debt obligations of the City.

The City reports the following major proprietary funds:

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

The Wastewater Treatment Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

City of Vinton

Notes to Financial Statements

NOTE 1. Significant Accounting Policies (Continued)

Basis of Presentation (continued)

The City also reports the following additional proprietary funds:

The Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis. The Internal Service Funds include the following:

The Revolving Fund is used to account the City's insurance claims, settlements and refunds.

The Payroll Clearing Fund is used to account for the City's entire payroll. Costs are then allocated to each fund accordingly.

The City also reports fiduciary funds which focus on net assets and changes in net assets. The City's fiduciary funds include the following:

The Fire Department Capital Reserve Fund is used to account for assets of the fire department for future improvements held by the City in a trustee capacity.

The Utility and Airport Deposits Funds are used to account for assets of the respective funds for future reimbursement held by the City in a trustee capacity.

Measurement Focus and Basis of Accounting

The City of Vinton 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 accounting principles generally accepted in the United States of America.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the culture and recreation function.

City of Vinton

Notes to Financial Statements

NOTE 2. Cash and Pooled Investments

The City's deposits in banks at June 30, 2004 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's investments are categorized to give an indication of the level of risk assumed by the City at year-end. The City's investments are all category 1, which means that the investments are insured or registered, or the securities are held by the City or its agent in the City's name.

At June 30, 2004, the balance of the City's cash deposits plus petty cash totaled \$3,909,898. The City's investments, which are included in net assets as of June 30, 2004, are as follows:

	<u>Category</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
United States Series HH Bonds	1	<u>\$ 2,000</u>	<u>\$ 2,000</u>
Cash and Cash Equivalents	1	<u>\$ 3,907,898</u>	<u>\$ 3,907,898</u>
Total Primary Government Net Assets at June 30, 2004.	1	<u>\$ 3,909,898</u>	<u>\$ 3,909,898</u>

City of Vinton

Notes to Financial Statements

NOTE 3. Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue bonds, revenue bonds and notes payable are as follows:

Year Ending 6-30	General Obligation Bonds		General Obligation Notes		1997 Water Revenue Bonds		2002 Water Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 100,000	\$ 19,567	\$ 225,000	\$ 196,838	\$ 105,000	\$ 52,503	\$ 2,000	\$ 1,110
2006	105,000	16,062	270,000	162,240	110,000	47,200	2,000	1,050
2007	105,000	13,700	280,000	152,425	115,000	41,590	2,000	990
2008	110,000	10,550	215,000	141,690	120,000	35,668	2,000	930
2009	110,000	7,250	220,000	133,450	125,000	29,428	2,000	870
2010	105,000	3,676	230,000	124,740	135,000	22,865	2,000	810
2011	----	----	240,000	115,140	145,000	15,710	2,000	750
2012	----	----	250,000	104,890	150,000	8,025	2,000	690
2013	----	----	260,000	93,940	----	----	2,000	630
2014	----	----	275,000	82,308	----	----	2,000	570
2015	----	----	290,000	69,658	----	----	2,000	510
2016	----	----	300,000	56,101	----	----	2,000	450
2017	----	----	310,000	41,880	----	----	2,000	390
2018	----	----	325,000	26,856	----	----	2,000	330
2019	----	----	205,000	10,967	----	----	2,000	270
2020	----	----	----	----	----	----	2,000	210
2021	----	----	----	----	----	----	2,000	150
2022	----	----	----	----	----	----	3,000	90
Total	\$ 635,000	\$ 70,805	\$ 3,895,000	\$1,513,123	\$ 1,005,000	\$252,989	\$ 37,000	\$10,800

Year Ending 6-30	Real Estate Contract		Total	
	Principal	Interest	Principal	Interest
2005	\$ 37,988	\$ 3,406	\$ 469,988	\$ 273,424
2006	19,997	700	506,997	227,252
2007	----	----	502,000	208,705
2008	----	----	447,000	188,838
2009	----	----	457,000	170,998
2010	----	----	472,000	152,091
2011	----	----	387,000	131,600
2012	----	----	402,000	113,605
2013	----	----	262,000	94,570
2014	----	----	277,000	82,878
2015	----	----	292,000	70,168
2016	----	----	302,000	56,551
2017	----	----	312,000	42,270
2018	----	----	327,000	27,186
2019	----	----	207,000	11,237
2020	----	----	2,000	210
2021	----	----	2,000	150
2022	----	----	3,000	90
Total	\$ 57,985	\$ 4,106	\$5,629,985	\$ 1,851,823

City of Vinton

Notes to Financial Statements

NOTE 4. Bonds and Notes Payable (Continued)

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City; however, the debt is subject to the constitutional debt limitation of the City.

The 1997 water revenue bond requires that certain covenants relating to the maintenance and efficiency of the operating system, the rate structure, restrictions on borrowings and minimum insurance coverage be adhered to and are as follows:

- a. The Utility shall be maintained by the City in good condition, and the City shall continue to operate the Utility in an efficient manner and at a reasonable cost as a revenue producing undertaking.
- b. The City shall establish, impose, adjust and provide for the collection of rates to be charged to customers of the Utility, including the City, to produce gross revenues at least sufficient to pay the expenses of operation and maintenance of the Utility, which shall include salaries, wages, cost of maintenance and operation, materials, supplies, insurance and all other items normally included under recognized accounting practices (but does not include allowances for depreciation in the valuation of physical property) and to leave a balance of net revenues (herein referred to as the "Net Revenues") equal to at least 120% of the maximum annual installments of principal of and interest on all of the Bonds and any other Parity Obligations outstanding from time to time, as the same become due, and to maintain a reasonable reserve for the payment of such principal and interest.
- c. Gross Revenues of the Utility shall be set aside into a Water Revenue Fund. This account shall be used in maintaining and operating the Utility, and after payment of the Operating Expenses shall be used to pay the principal and interest on the Bonds. This account is also used to maintain the several separate accounts required to be set up by the bond resolutions.
- d. Sufficient monthly transfers shall be made to a water revenue sinking account for the purpose of making the bond principal and interest payments. The monthly amount required for the water revenue bonds sinking account shall not be less than one-sixth of the upcoming interest payments plus one-twelfth of the upcoming principal payment.

City of Vinton

Notes to Financial Statements

NOTE 4. Bonds and Notes Payable (Continued)

- e. An amount shall be held in a water bond reserve account which shall equal \$157,410, which is equal to the lesser of (i) the maximum amount of principal and interest becoming due on the Bonds in any succeeding fiscal year; (ii) 125% of the average amount of principal and interest becoming due on the Bonds in any succeeding fiscal year; or (iii) 10% of the net bond proceeds.
- f. An amount shall be held in a water bond improvement account which shall equal \$100,000. If this amount is reduced, a transfer of \$4,000 shall be made on the first of every month until the balance is restored.
- g. The surplus account shall contain all Net Revenues remaining after making the required payments into the Sinking Fund, the Reserve Fund and the Improvement Fund, and after the Reserve Fund contains the required balance of \$157,410.
- h. The City shall maintain insurance on the insurable portions of the Utility of a kind and in an amount which usually would be carried by private companies or municipalities engaged in a similar type of business. The City shall also keep proper books of record and account, separate from all other records and accounts, showing the complete and correct entries of all transactions relating to the Utility.

The City was in compliance with required covenants for the year ended June 30, 2004.

NOTE 5. 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 in writing to IPERS, PO Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 5.93% and 8.9%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for

City of Vinton

Notes to Financial Statements

NOTE 5. Pension and Retirement Benefits (Continued)

the year ended June 30, 2002, the contribution rates for police employees and the City were 6.2% and 9.19%, respectively. Contribution requirements are established by state statute. The City and its component unit's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$88,476, \$88,145 and \$82,979, respectively, which were equal to the required contributions for each year.

NOTE 6. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. Vacation must be used within 12 months of the year earned. Payment for unused vacation is made at employee separation; otherwise vacation pay is considered a continuation of normal salary. Permanent full-time employees earn one day of sick leave for each month of employment with a maximum accumulation of 120 days.

Payouts of sick pay are made for time off due to illness or injury. At employee retirement, disability or death, one-half of accumulated sick pay is paid to the employee. If the employee is younger than age 63½ at retirement, disability or death, the maximum payout is limited to 45 days. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees, including related tax and fringe benefits, is as follows:

Type of Benefit	Amount June 30, 2004
Primary Government	
Vacation	\$ 65,546
Sick Leave	123,304
	<u>\$ 188,850</u>
Component Unit	
Vacation	\$ 29,179
Sick Leave	55,605
	<u>\$ 84,784</u>

The liability has been computed based on rates of pay in effect at June 30, 2004.

City of Vinton

Notes to Financial Statements

NOTE 7. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer To:	Transfer From:	Amount
General:	Permanent:	
	Tobin Trust	\$ 1,520
	Capital Projects:	
	West TIF #1	2,346
	Special Revenue:	
	Employee Benefits	179,736
	Enterprise:	
	Electric Utility	205,552
	Water Utility	82,843
	Wastewater Treatment	59,373
		\$ 531,370
Capital Projects:		
West TIF #1 (CIP)	Special Revenue:	
	West # 1 TIF	11,107
	SE TIF	2,031
		\$ 13,138
West TIF #2 (CIP)	Special Revenue:	
	West #2 TIF	128
SW TIF (CIP)	Special Revenue:	
	SW TIF	732
General (CIP)	General	26,000
	Enterprise:	
	Electric Utility	55,000
		\$ 94,998
Fiduciary:		
Fire Dept. Capital Reserve	General	\$ 11,121
Debt Service	Special Revenue:	
	NW TIF	\$ 30,463
	SE TIF	108,338
	Downtown #1 TIF	13,110
	Enterprise:	
	Water Utility	155,521
		\$ 307,432

City of Vinton

Notes to Financial Statements

NOTE 7. Interfund Transfers (Continued)

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer To:</u>	<u>Transfer From:</u>	<u>Amount</u>
Enterprise: Water Utility	Special Revenue: SE TIF	\$ 53,459
	Enterprise: Wastewater Treatment	29,754
Wastewater Treatment	Special Revenue: SE TIF	53,572
	Road Use Tax	7,784
Electric Utility	General	6,305
	Special Revenue: Road Use Tax	52,253
		<u>\$ 203,127</u>
	TOTAL	<u>\$ 1,148,048</u>

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

NOTE 8. Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2004, disbursements in the Culture and Recreation function exceeded the amounts budgeted.

City of Vinton

Notes to Financial Statements

NOTE 9. Industrial Development Revenue Bonds

The City has issued a total of \$1,560,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$1,499,667 was outstanding at June 30, 2004. The bonds and related interest are payable solely from the revenue of the businesses occupying the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

NOTE 10. Related Party Transactions

The City had business transactions between the City and City officials or businesses owned by City officials totaling \$11,842 during the year ended June 30, 2004.

The component unit is a member of RPGI, a joint and cooperative undertaking organized under the provisions of Chapter 28E of the Code of Iowa to provide members with combined bargaining power in negotiating wholesale power contracts. RPGI is administered by the Iowa Association of Municipal Utilities (IAMU). For the year ended June 30, 2004, the component unit purchased wholesale electric power totaling \$1,193,310 from RPGI and sold excess capacity and energy totaling \$108,282 to RPGI.

NOTE 11. Risk Management

The City and its component unit are exposed to various risks of loss related to torts; thefts, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except for distribution property and equipment of the component unit, 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. The component unit has retained the risk of damage to and destruction of most distribution property and equipment. There were no material estimated liabilities at the beginning or end of, or material claims paid, during the past three fiscal years.

City of Vinton

Notes to Financial Statements

NOTE 12. Commitments and Subsequent Events

The City is involved in construction of capital assets, mainly streets, sanitary sewer lines and water mains. At June 30, 2004, the City was committed to approximately \$349,451 of construction and other contracts and equipment. Subsequent to year-end, the City approved approximately \$390,596 in additional contracts and equipment.

Under wholesale power agreements, the component unit has committed to purchase its electric power and energy requirements from RPGI (supplied by Ameron Energy Company) through December 31, 2008.

In July 2004, the City accepted a grant of \$239,000 from the FAA to be used for airport renovations. A bid for the project has not yet been approved.

In September 2004, the City approved a loan agreement to authorize the sale of General Obligation Purpose Notes in the amount of \$940,000.

NOTE 13. Accounting Change and Restatements

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statement reports the City’s governmental and business type activities. Beginning net assets have been restated to include the allocation of the Internal Service Fund and Permanent Fund.

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Fiduciary Activities</u>
Cash Basis Net Assets June 30, 2003, as previously reported	\$ 1,335,973	\$ 1,480,308	\$ 235,199
Internal Service Fund and Permanent Funds	<u>125,183</u>	<u>(25,183)</u>	<u>(100,000)</u>
Cash Basis Net Assets July 1, 2003, as restated	<u>\$ 1,461,156</u>	<u>\$ 1,455,125</u>	<u>\$ 135,199</u>

Required Supplementary Information

City of Vinton
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, 2004

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property Tax	\$ 1,176,514	\$ -	\$ -
Tax Increment Financing Collections	286,325	-	-
Other City Tax	35,883	-	-
Licenses and Permits	30,544	-	-
Use of Money and Property	54,364	24,917	-
Intergovernmental	661,409	-	-
Charges for Service	871,064	2,977,679	2,123,208
Miscellaneous	221,228	57,871	13,656
Total Receipts	<u>3,337,331</u>	<u>3,060,467</u>	<u>2,136,864</u>
Disbursements:			
Public Safety	593,137	-	-
Public Works	804,914	-	-
Health & Social Services	11,329	-	-
Culture and Recreation	898,418	-	-
Community and Economic Development	151,740	-	-
General Government	302,776	2,128,235	2,128,235
Debt Service	1,298,258	-	-
Capital Projects	804,941	-	-
Business Type Activities	-	632,779	-
Total Disbursements	<u>4,865,513</u>	<u>2,761,014</u>	<u>2,128,235</u>
Excess of Receipts over Disbursements	(1,528,182)	299,453	8,629
Other Financing Sources, Net	2,405,294	(182,948)	-
Excess of Receipts and Other Financing Sources over Disbursements and Other Financing Uses	877,112	116,505	8,629
Balances, Beginning of Year	1,435,973	1,480,308	25,183
Balances, End of Year	<u>\$ 2,313,085</u>	<u>\$ 1,596,813</u>	<u>\$ 33,812</u>

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$ 1,176,514	\$ 1,178,377	\$ 1,178,377	\$ (1,863)
286,325	274,132	274,132	12,193
35,883	14,710	14,710	21,173
30,544	27,517	27,517	3,027
79,281	136,021	136,021	(56,740)
661,409	1,349,162	1,349,162	(687,753)
1,725,535	3,782,791	3,782,791	(2,057,256)
265,443	70,218	70,218	195,225
<u>4,260,934</u>	<u>6,832,928</u>	<u>6,832,928</u>	<u>(2,571,994)</u>
593,137	603,456	603,456	10,319
804,914	929,435	929,435	124,521
11,329	6,000	12,000	671
898,418	623,193	823,193	(75,225)
151,740	16,745	210,745	59,005
302,776	318,527	318,527	15,751
1,298,258	688,212	1,338,212	39,954
804,941	673,348	883,348	78,407
632,779	4,369,905	4,169,905	3,537,126
<u>5,498,292</u>	<u>8,228,821</u>	<u>9,288,821</u>	<u>3,790,529</u>
(1,237,358)	(1,395,893)	(2,455,893)	1,218,535
<u>2,222,346</u>	<u>-</u>	<u>1,535,000</u>	<u>687,346</u>
984,988	(1,395,893)	(920,893)	1,905,881
<u>2,891,098</u>	<u>5,508,788</u>	<u>5,508,788</u>	<u>(2,617,690)</u>
<u>\$ 3,876,086</u>	<u>\$ 4,112,895</u>	<u>\$ 4,587,895</u>	<u>\$ (711,809)</u>

See Accompanying Independent Auditor's Report

City of Vinton

Notes to Required Supplementary Information – Budgetary Reporting

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 and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds and Proprietary 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 revenues by \$1,535,000 and increased budgeted disbursements by \$1,060,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, and community and economic development functions.

Other Supplementary Information

City of Vinton
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the Year Ended June 30, 2004

	Special Revenue		
	NW TIF	SE TIF	West #1 TIF
Receipts:			
Property Tax	\$ -	\$ -	\$ -
Tax Increment Financing Collections	61,417	204,815	-
Use of Money and Property	-	-	-
Intergovernmental	-	-	-
Miscellaneous	425	900	33
Total Receipts	61,842	205,715	33
Disbursements:			
Operating:			
Public Works	-	-	-
Capital Projects	-	-	-
Total Disbursements	-	-	-
Excess (Deficiency) of Receipts Over (Under) Disbursements	61,842	205,715	33
Other Financing Sources (Uses):			
Operating Transfers In	-	-	-
Operating Transfers Out	(30,463)	(217,400)	(11,107)
Total Other Financing Sources (Uses)	(30,463)	(217,400)	(11,107)
Net Change in Cash Balances	31,379	(11,685)	(11,074)
Cash Balances, Beginning of Year	35,407	67,918	11,074
Cash Balances, End of Year	\$ 66,786	\$ 56,233	\$ -
Cash Basis Fund Balances			
Unreserved:			
Special Revenue Funds	\$ 66,786	\$ 56,233	\$ -
Capital Project Fund	-	-	-
Total Cash Basis Fund Balance	\$ 66,786	\$ 56,233	\$ -

Schedule 1

					Permanent
SW TIF	Downtown #1 TIF	West #2 TIF	Road Use Tax	Employee Benefits	Tobin Trust
\$ -	\$ -	\$ -	\$ -	\$ 179,736	\$ -
302	16,175	3,616	-	-	-
-	-	-	-	-	-
-	-	-	424,933	-	-
26	54	3	-	-	1,520
<u>328</u>	<u>16,229</u>	<u>3,619</u>	<u>424,933</u>	<u>179,736</u>	<u>1,520</u>
-	-	-	298,393	-	-
-	-	-	-	-	-
-	-	-	<u>298,393</u>	-	-
<u>328</u>	<u>16,229</u>	<u>3,619</u>	<u>126,540</u>	<u>179,736</u>	<u>1,520</u>
-	-	-	-	-	-
<u>(732)</u>	<u>(13,110)</u>	<u>(128)</u>	<u>(60,038)</u>	<u>(179,736)</u>	<u>(1,520)</u>
(732)	(13,110)	(128)	(60,038)	(179,736)	(1,520)
(404)	3,119	3,491	66,502	-	-
3,728	7,055	-	97,030	-	100,000
<u>\$ 3,324</u>	<u>\$ 10,174</u>	<u>\$ 3,491</u>	<u>\$ 163,532</u>	<u>\$ -</u>	<u>\$ 100,000</u>
\$ 3,324	\$ 10,174	\$ 3,491	\$ 163,532	\$ -	\$ 100,000
-	-	-	-	-	-
<u>\$ 3,324</u>	<u>\$ 10,174</u>	<u>\$ 3,491</u>	<u>\$ 163,532</u>	<u>\$ -</u>	<u>\$ 100,000</u>

See Accompanying Independent Auditor's Report

City of Vinton
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds (Continued)
As of and for the Year Ended June 30, 2004

	Capital Projects		
	West TIF #1	West TIF #2	SE TIF
Receipts:			
Property Tax	\$ -	\$ -	\$ -
Tax Increment Financing Collections	-	-	-
Use of Money and Property	-	-	-
Intergovernmental	-	-	-
Miscellaneous	-	1,741	3,228
Total Receipts	<u>-</u>	<u>1,741</u>	<u>3,228</u>
Disbursements:			
Operating:			
Public Works	-	-	-
Capital Projects	10,792	128	2,940
Total Disbursements	<u>10,792</u>	<u>128</u>	<u>2,940</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(10,792)</u>	<u>1,613</u>	<u>288</u>
Other Financing Sources (Uses):			
Operating Transfers In	13,138	128	-
Operating Transfers Out	(2,346)	-	-
Total Other Financing Sources (Uses)	<u>10,792</u>	<u>128</u>	<u>-</u>
Net Change in Cash Balances	-	1,741	288
Cash Balances, Beginning of Year	-	-	-
Cash Balances, End of Year	<u>\$ -</u>	<u>\$ 1,741</u>	<u>\$ 288</u>
Cash Basis Fund Balances			
Unreserved:			
Special Revenue Funds	\$ -	\$ -	\$ -
Capital Project Fund	-	1,741	288
Total Cash Basis Fund Balance	<u>\$ -</u>	<u>\$ 1,741</u>	<u>\$ 288</u>

Schedule 1

	<u>NW TIF</u>	<u>SW TIF</u>	<u>Sidewalk Fund</u>	<u>Downtown Improvements</u>	<u>Total</u>
\$	-	\$ -	\$ -	\$ -	\$ 179,736
	-	-	-	-	286,325
	57	-	364	274	695
	-	-	-	-	424,933
	-	924	-	1,451	10,305
	<u>57</u>	<u>924</u>	<u>364</u>	<u>1,725</u>	<u>901,994</u>
	-	-	-	-	298,393
	-	1,522	107	16,411	31,900
	-	1,522	107	16,411	330,293
	<u>57</u>	<u>(598)</u>	<u>257</u>	<u>(14,686)</u>	<u>571,701</u>
	-	732	-	-	13,998
	-	-	-	-	(516,580)
	-	732	-	-	(502,582)
	57	134	257	(14,686)	69,119
	7,585	-	50,051	46,350	426,198
\$	<u>7,642</u>	<u>134</u>	<u>50,308</u>	<u>31,664</u>	<u>495,317</u>
\$	-	\$ -	\$ -	\$ -	\$ 403,540
	7,642	134	50,308	31,664	91,777
\$	<u>7,642</u>	<u>134</u>	<u>50,308</u>	<u>31,664</u>	<u>495,317</u>

See Accompanying Independent Auditor's Report

City of Vinton
Schedule of Indebtedness
Year Ended June 30, 2004

<i>BONDED INDEBTEDNESS</i>	<u>Date Issued</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds			
General Corporate Purpose	May 1, 1996	5.000 - 5.25%	\$ 265,200
General Obligation Series 2004	May 1, 2004	2.000 - 3.50%	635,000
General Corporate Purpose	November 1, 2003	1.250 - 4.15%	1,390,000
Street Improvement Notes	July 1, 1998	4.125 - 4.30%	300,000
General Corporate Purpose	August 1, 1999	4.900 - 5.35%	2,585,000
General Corporate Purpose	March 1, 2000	4.800 - 5.40%	670,000
Library Refunding Series 2001	May 1, 2001	3.800 - 4.25%	405,000
Total General Obligation Bonds			
Tax Increment Financing Bond			
Refunding Series 1996	May 1, 1996	5.000 - 5.25%	\$ 514,800
Water Revenue Bond			
	May 1, 1997	5.000 - 5.35%	\$ 1,590,000
Water Revenue Bond			
	October 8, 2002	3.00%	\$ 40,000
Nonbonded Indebtedness			
Real Estate Contract - Roller-Skating Rink	August 27, 1999	7.00%	\$ 250,000

Schedule 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 69,700	\$ -	\$ 69,700	\$ -	\$ 3,485	\$ -
-	635,000	-	635,000	-	-
-	1,390,000	-	1,390,000	-	-
65,000	-	65,000	-	2,795	-
2,385,000	-	105,000	2,280,000	122,105	-
500,000	-	500,000	-	26,308	-
290,000	-	65,000	225,000	12,020	-
<u>\$ 3,309,700</u>	<u>\$ 2,025,000</u>	<u>\$ 804,700</u>	<u>\$ 4,530,000</u>	<u>\$ 166,713</u>	<u>\$ -</u>
<u>\$ 135,300</u>	<u>\$ -</u>	<u>\$ 135,300</u>	<u>\$ -</u>	<u>\$ 6,978</u>	<u>\$ -</u>
<u>\$ 1,100,000</u>	<u>\$ -</u>	<u>\$ 95,000</u>	<u>\$ 1,005,000</u>	<u>\$ 57,253</u>	<u>\$ -</u>
<u>\$ 39,000</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 37,000</u>	<u>\$ 1,170</u>	<u>\$ -</u>
<u>\$ 76,021</u>	<u>\$ -</u>	<u>\$ 18,036</u>	<u>\$ 57,985</u>	<u>\$ 2,661</u>	<u>\$ -</u>

See Accompanying Independent Auditor's Report

City of Vinton
Schedule of Bond and Note Maturities
Year Ended June 30, 2004

Year Ending June 30,	General Obligation		Revenue Bond				Real Estate Contract	
	Refunding Series 2004 Issued 5/1/04		Water Issued 5/1/97		Water Issued 10/8/02		Roller-Skating Rink Issued 8/27/99	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2005	2.00%	\$ 100,000	5.05%	\$ 105,000	3.00%	\$ 2,000	7.00%	\$ 37,988
2006	2.25%	105,000	5.10%	110,000	3.00%	2,000	7.00%	19,997
2007	3.00%	105,000	5.15%	115,000	3.00%	2,000	-	-
2008	3.00%	110,000	5.20%	120,000	3.00%	2,000	-	-
2009	3.25%	110,000	5.25%	125,000	3.00%	2,000	-	-
2010	3.50%	105,000	5.30%	135,000	3.00%	2,000	-	-
2011	-	-	5.30%	145,000	3.00%	2,000	-	-
2012	-	-	5.35%	150,000	3.00%	2,000	-	-
2013	-	-	-	-	3.00%	2,000	-	-
2014	-	-	-	-	3.00%	2,000	-	-
2015	-	-	-	-	3.00%	2,000	-	-
2016	-	-	-	-	3.00%	2,000	-	-
2017	-	-	-	-	3.00%	2,000	-	-
2018	-	-	-	-	3.00%	2,000	-	-
2019	-	-	-	-	3.00%	2,000	-	-
2020	-	-	-	-	3.00%	2,000	-	-
2021	-	-	-	-	3.00%	2,000	-	-
2022	-	-	-	-	3.00%	3,000	-	-
Total		<u>\$ 635,000</u>		<u>\$ 1,005,000</u>		<u>\$ 37,000</u>		<u>\$ 57,985</u>

See Accompanying Independent Auditor's Report

City of Vinton
Schedule of Bond and Note Maturities (Continued)
Year Ended June 30, 2004

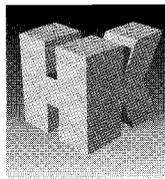
Year Ending June 30,	General Obligation Notes					
	Corporate Purpose		Corporate Purpose		Library Refunding Issue	
	Issued 11/1/03		Issued 8/1/99		Issued 5/1/01	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2005	1.25%	\$ 50,000	4.90%	\$ 105,000	4.10%	\$ 70,000
2006	1.50%	85,000	4.90%	110,000	4.20%	75,000
2007	2.00%	85,000	4.90%	115,000	4.25%	80,000
2008	2.35%	90,000	4.90%	125,000	-	-
2009	2.60%	90,000	4.90%	130,000	-	-
2010	3.00%	95,000	5.00%	135,000	-	-
2011	3.25%	100,000	5.00%	140,000	-	-
2012	3.45%	100,000	5.00%	150,000	-	-
2013	3.55%	105,000	5.10%	155,000	-	-
2014	3.70%	110,000	5.20%	165,000	-	-
2015	3.80%	115,000	5.25%	175,000	-	-
2016	3.90%	120,000	5.30%	180,000	-	-
2017	4.05%	120,000	5.35%	190,000	-	-
2018	4.15%	125,000	5.35%	200,000	-	-
2019	-	-	5.35%	205,000	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
Total		<u>\$ 1,390,000</u>		<u>\$ 2,280,000</u>		<u>\$ 225,000</u>

Year Ending June 30,	General Obligation Notes	
	Total	Total Maturities
2005	\$ 325,000	\$ 469,988
2006	375,000	506,997
2007	385,000	502,000
2008	325,000	447,000
2009	330,000	457,000
2010	335,000	472,000
2011	240,000	387,000
2012	250,000	402,000
2013	260,000	262,000
2014	275,000	277,000
2015	290,000	292,000
2016	300,000	302,000
2017	310,000	312,000
2018	325,000	327,000
2019	205,000	207,000
2020	-	2,000
2021	-	2,000
2022	-	3,000
Total	<u>\$ 4,530,000</u>	<u>\$ 5,629,985</u>

See Accompanying Independent Auditor's Report

City of Vinton
Schedule of Receipts by Source and Disbursements by Function -
All Governmental Funds
For the Last Four Years

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Receipts:				
Property Tax	\$ 1,176,514	\$ 1,193,322	\$ 1,167,469	\$ 1,257,240
Tax Increment Financing Collections	286,325	362,817	316,520	209,187
Other City Tax	35,883	5,690	2,405	2,323
Licenses and Permits	30,544	28,876	27,675	25,628
Use of Money and Property	54,364	65,198	109,582	192,137
Intergovernmental	661,409	618,648	882,443	649,077
Charges for Services	871,064	397,436	374,177	340,888
Miscellaneous	221,228	224,737	196,196	350,960
Total	<u>\$ 3,337,331</u>	<u>\$ 2,896,724</u>	<u>\$ 3,076,467</u>	<u>\$ 3,027,440</u>
Disbursements:				
Operating:				
Public Safety	\$ 593,137	\$ 577,930	\$ 568,070	\$ 534,517
Public Works	804,914	641,163	977,872	810,366
Health & Social Services	11,329	-	-	763,735
Culture and Recreation	898,418	727,448	655,581	-
Community and Economic Development	151,740	34,391	-	1,035
General Government	302,776	287,959	276,125	257,828
Debt Service	1,298,258	749,095	838,219	1,268,785
Capital Projects	804,941	649,346	681,039	727,502
Total	<u>\$ 4,865,513</u>	<u>\$ 3,667,332</u>	<u>\$ 3,996,906</u>	<u>\$ 4,363,768</u>



Honkamp Krueger & Co., PC.
*Certified Public Accountants
& Business Consultants*

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

To the Honorable Mayor and
Members of the City Council
City of Vinton
Vinton, Iowa

We have audited the financial statements of the City of Vinton, Iowa, for the year ended June 30, 2004, and have issued our report thereon dated September 22, 2004. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Vinton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance 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 noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Statutory Reporting Requirements.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004, 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. Prior year statutory comments have been resolved except for items I-A-03 and I-B-03.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Vinton's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Vinton's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Statutory Reporting Requirements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions indicated, we believe item I-A-04 to be a material weakness. Prior year reportable conditions have been resolved except I-A-03 and I-B-03.

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 Vinton and other parties to whom the City of Vinton may report. This report 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 Vinton 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.

Handwritten signature of Hanky Krueger in cursive script.

Dubuque, Iowa
September 22, 2004

City of Vinton
Schedule of Statutory Reporting Requirements
Year Ended June 30, 2004

Part I. Findings Related to the Financial Statements

Instances of Non Compliance:

No matters were noted.

Reportable Conditions:

- I-A-04. **Segregation of Duties:** One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that incompatible duties are being performed 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 control procedures to obtain the maximum internal control possible under the circumstances.

Response: We will review the procedures as suggested.

Conclusion: Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize council members to provide additional control through review of financial transactions and reports.

- I-B-04. **Records of Accounts:** The Park & Recreation Department maintains the accounting records pertaining to the operation of the Park & Recreation Department. These transactions and the resulting balances are not recorded in the City's accounting software. Chapter 384.20 of the Code of Iowa states in part that "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose."

Recommendation: For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be recorded in the City's accounting software.

Response: We will adjust our financial statements to include this information. The financial activity and balances of the Park & Recreation Department will be included in the City's accounting software in the future.

Conclusion: Response acknowledged.

City of Vinton
Schedule of Statutory Reporting Requirements (Continued)
Year Ended June 30, 2004

Part II. Other Findings Related to Required Statutory Reporting

II-A-04. **Official Depositories**: A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

II-B-04. **Certified Budget**: Disbursements during the year ended June 30, 2004 exceeded the amount budgeted in the Culture and Recreation function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation: The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response: The budget will be amended in the future, if applicable

Conclusion: Response accepted.

II-C-04. **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.

II-D-04. **Travel Expense**: No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Vinton
Schedule of Statutory Reporting Requirements (Continued)
Year Ended June 30, 2004

II-E-04. **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>
F. Ronald Elwick Council Member, Owner of Elwick Electric	Parts and Supplies	\$ 8,667
Three Rivers Insurance Lisa Vermedahl, Council Member, Husband is owner of Three Rivers Insurance	Insurance Coverage	\$ 3,175

In accordance with Chapter 362.5(10) of the Code of Iowa, transactions with the City officials and employees less than \$1,500 during the fiscal year do not represent conflicts of interest. The transactions with the Council Members do not appear to represent conflicts of interest since they were entered into through board approval.

II-F-04. **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-G-04. **Council Minutes:** No transactions were found that we believe should have been approved in the Council minutes that were not.

II-H-04. **Deposits and Investments:** We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-I-04. **Revenue Notes:** The City appears to be in compliance with note resolutions.

II-J-04. **Financial Condition:** The City appears to be in compliance with required financial conditions.

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City of Vinton
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2004

Finding I-A-03. Lack of Segregation of Duties

Contact person responsible for corrective action: Cindy Michael (319) 472-4707

Corrective Action

Response: The City concurs with the recommendations, however, believes the supervision by management and City Council members are considered mitigating factors in the lack of segregation of duties. The City recognizes that it would not be cost effective to hire additional personnel to maximize the segregation of accounting duties due to the size of the City. The City is aware of the condition and will continue to monitor and implement compensating controls.

Date of Completion

Ongoing

Finding I-B-03. Records of Accounts

Contact person responsible for corrective action: Cindy Michael (319) 472-4707

Corrective Action

Response: The City will adjust the financial statements to include this information and the financial activity and balances of the Library and Park & Recreation Department will be included in the City's accounting software.

Date of Completion

Ongoing. Library accounts have been included in the City's accounting software during 2004.

News Release

For Release: _____

Honkamp Krueger & Co., P.C. released an audit report on The City of Vinton, Iowa.

The City has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole. Also included is Management's Discussion and Analysis of the City's financial statements.

The City's receipts totaled \$6,322,419 for the year ended June 30, 2004, a .2% decrease from 2003. The receipts included \$1,212,397 in property tax, \$286,325 from tax increment financing collections, \$1,725,535 from charges for service, \$558,435 from operating grants, contributions and restricted interest, \$148,932 from capital grants, contributions and restricted interest, \$2,025,000 from bond proceeds, \$54,364 from unrestricted investment earnings and \$311,431 from other general receipts.

Disbursements for the year totaled \$5,519,675, a 13.5% decrease from the prior year, and included \$1,298,258 for debt service, \$898,418 for culture and recreation and \$804,914 for public works. Also, disbursements for business type activities totaled \$632,779.

A copy of the audit report is available for review in the office of Auditor of State and the City Clerk's Office.