

Financial Statements

Vinton Municipal Water Utility

June 30, 2004 and 2003

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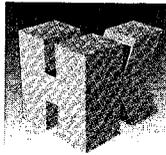
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Vinton Municipal Water Utility

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 Auditors' Report

Vinton Municipal Water Utility
Vinton, Iowa

We have audited the accompanying statements of net assets of the Vinton Municipal Water Utility (Utility), an enterprise fund of the City of Vinton, Iowa, as of and for the years ended June 30, 2004 and 2003 and the related statements of revenue, expenses and changes in net assets, and statements of cash flows. These financial statements are the responsibility of the Utility's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the Utility has only recorded capital improvements related to the 1956 and 1967 Water Revenue Bond issues and the cost of additions subsequent to December 31, 1970. In our opinion, all property and equipment should be capitalized at cost and depreciated over their estimated useful lives to conform with generally accepted accounting principles. The effects on the financial statements of this practice are not reasonably determinable.

As discussed in Note 13 of the Notes to the Financial Statements, for the year ended June 30, 2004, the Vinton Municipal Water Utility (Utility) 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; Statement No. 41, Budgetary Comparison Schedule – Perspective Difference; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In our opinion, except for the effects of the matters discussed in paragraph three, the financial statements referred to above present fairly, in all material respects, the financial position of the Vinton Municipal Water Utility (Utility), an enterprise fund of the City of Vinton, Iowa as of June 30, 2004 and 2003, and the changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2004, on our consideration of the Vinton Municipal Water Utility (Utility), an enterprise fund of the City of Vinton, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That 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 page 4 through 9 and 25 through 27 are required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The other supplementary information included on page 28 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audits of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



Dubuque, Iowa
September 22, 2004

Vinton Municipal Water Utility Management's Discussion and Analysis

Management of Vinton Municipal Water Utility provide this Management's Discussion and Analysis of its annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage our readers to consider this information in conjunction with the Utility's financial statements, which follow.

Because Vinton Municipal Water Utility is implementing new reporting standards for this fiscal year, with changes in content and structure, certain information may not be easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining Vinton Municipal Water Utility's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- Revenues of the Vinton Municipal Water Utility's activities decreased 4%, or approximately \$20,000, from 2003 to 2004.
- Operating expenses decreased 4%, or approximately \$14,240, in fiscal 2004 from fiscal 2003.
- Vinton Municipal Water Utility's net assets increased 1%, or approximately \$19,500, from June 30, 2003 to June 30, 2004.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Water Utility's financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets and a statement of cash flows. This discussion and analysis is intended to serve as an introduction to the financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

The statement of net assets presents information on all of the Water Utility's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The statement of revenues, expenses, and changes in net assets presents information showing how the Water Utility's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did the cash come from, what cash was used for and what was the change in cash and cash equivalents during the reporting year.

Vinton Municipal Water Utility Management's Discussion and Analysis

REPORTING THE VINTON MUNICIPAL WATER UTILITY FINANCIAL ACTIVITIES

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets

One of the most important questions asked about the Vinton Municipal Water Utility's finances is, "Is Vinton Municipal Water Utility as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Utility as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents all of the Utility's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the Utility's net assets may serve as a useful indicator of whether the financial position of Vinton Municipal Water Utility is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets present information showing how the Utility's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets reports one kind of activity. This activity is financed primarily by user charges.

Fund Financial Statements

The required financial statements of the proprietary funds include a statement of net assets, a statement of revenues, expenses, and changes in fund assets and a statement of cash flows.

FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets.

Vinton Municipal Water Utility Management's Discussion and Analysis

NET ASSETS		
<i>ASSETS</i>	Year Ended June 30	
	2004	2003
Current Assets		
Cash	\$ 138,516	\$ 114,019
Receivables:		
Trade Accounts	41,162	39,992
Unbilled Revenue	27,451	28,326
Prepaid Expenses	16,986	12,354
Total Current Assets	224,115	194,691
Restricted Assets		
Cash	13,125	12,688
Certificates of Deposit	257,410	257,410
Total Restricted Assets	270,535	270,098
Capital Assets		
Land	70,051	70,051
Water Plant	2,025,204	2,025,204
Distribution System	971,042	971,042
Equipment and Vehicles	295,698	295,698
Construction in Progress	16,059	-----
Total	3,378,054	3,361,995
Less: Accumulated Depreciation	(1,165,394)	(1,057,491)
Net Capital Assets	2,212,660	2,304,504
Other Assets		
Bond Issue Costs (Net of Amortization 2004: \$10,741 & 2003: \$9,527)	5,241	6,455
Economic Development Note Receivable	-----	10,000
Total Other Assets	5,241	16,455
Total Assets	\$ 2,712,551	\$ 2,785,748
LIABILITIES & NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 3,096	\$ 1,944
Accrued Expenses		
Payroll	3,637	2,690
Sick Pay	9,176	8,473
Interest	93	97
Total Current Liabilities	16,002	13,204
Liabilities Payable from Restricted Assets		
Revenue Bonds	266,348	265,514
Accrued Interest	4,187	4,584
Total Liabilities Payable from Restricted Assets	270,535	270,098

Vinton Municipal Water Utility Management's Discussion and Analysis

NET ASSETS (continued)

<i>LIABILITIES & NET ASSETS (con't.)</i>	Year Ended June 30	
	2004	2003
Revenue Bonds (Net of Unamortized Discount 2004: \$5,214; 2003: \$6,422)	\$ 770,438	\$ 867,064
Compensated Absences	<u>8,862</u>	<u>8,192</u>
Total Liabilities	<u>1,065,837</u>	<u>1,158,558</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	1,175,874	1,171,926
Unrestricted	<u>470,840</u>	<u>455,264</u>
Total Net Assets	<u>1,646,714</u>	<u>1,627,190</u>
Total Liabilities and Net Assets	<u>\$ 2,712,551</u>	<u>\$ 2,785,748</u>

Net assets of the Water Utility increased from fiscal year ended June 30, 2003 by 1%. The largest portion of the Water Utility's net assets is unreserved while the other portion is invested in capital assets (e.g., land, water plant distribution system, equipment and vehicles). Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements is \$272,619 at the end of this year.

CHANGES IN NET ASSETS

	Year Ended June 30	
	2004	2003
Operating Revenue		
Metered Sales	\$ 461,344	\$ 476,226
Miscellaneous	<u>13,355</u>	<u>18,464</u>
Total Operating Revenue	<u>474,699</u>	<u>494,690</u>
Operating Expenses		
Wages	108,710	105,908
Payroll Taxes	7,908	7,607
Retirement Plan	6,249	5,962
Employee Benefits	32,319	30,084
Advertising and Publications	534	549
Telephone and Utilities	26,653	26,844
Office Supplies and Postage	6,523	3,584
Insurance	17,832	13,970
Professional Fees	4,718	4,246
Permits and Licenses	1,300	180
Dues, Memberships and Subscriptions	812	1,414
Bad Debts	1,411	1,565
Laundry and Sanitation	777	531

Vinton Municipal Water Utility Management's Discussion and Analysis

CHANGES IN NET ASSETS (continued)

	Year Ended June 30	
	2004	2003
Operating Expenses (continued)		
Chemicals	\$ 6,938	\$ 8,678
Water Testing	1,703	963
Repairs, Maintenance and Operating Supplies		
Plant and Distribution System	8,523	5,325
Vehicles	4,453	13,672
Other	22,696	15,476
Depreciation	107,904	107,805
Miscellaneous	3,986	3,343
Total Operating Expenses	<u>371,949</u>	<u>357,706</u>
Nonoperating Revenues (Expenses)		
Interest Income	5,424	8,485
Rental Income	2,820	2,820
Interest Expense	(59,230)	(63,474)
Amortization of Bond Issue Costs	(1,214)	(1,319)
Total Nonoperating Revenues (Expenses)	<u>(52,200)</u>	<u>(53,488)</u>
Income Before Operating Transfers	<u>50,550</u>	<u>83,496</u>
Contributions to Capital		
City of Vinton Capital Project Fund	-----	<u>30,107</u>
Operating Transfers		
From the City of Vinton	83,213	28,610
To the City of Vinton	(114,239)	(84,262)
Total Operating Transfers	<u>(31,026)</u>	<u>(55,652)</u>
Change in Net Assets	19,524	57,951
Net Assets, Beginning of Year	<u>1,627,190</u>	<u>1,569,239</u>
Net Assets, End of Year	<u>\$ 1,646,714</u>	<u>\$ 1,627,190</u>

The Water Utility's rates stayed the same for fiscal year 2004. Revenues decreased only slightly during the year.

Vinton Municipal Water Utility Management's Discussion and Analysis

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The Water Utility's capital assets include land, water plant, vehicles, machinery and equipment, and distribution system. Capital assets totaled \$2,212,660 (net of accumulated depreciation) at June 30, 2004. Additional information on the Water Utility's assets can be found in Note 5 to the financial statements in this report.

ECONOMIC FACTORS BEARING ON THE WATER UTILITY'S FUTURE

The Water Utility has not made any significant rate changes and does not expect any significant changes in the future.

CONTACTING THE WATER UTILITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Water Utility's finances and to show the Water Utility's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cindy Michael, Treasurer/City Clerk, PO Box 529, Vinton, IA 52349.

Vinton Municipal Water Utility
An Enterprise Fund of the City of Vinton, Iowa
Statements of Net Assets
June 30, 2004 and 2003

<i>ASSETS</i>	<u>2004</u>	<u>2003</u>
Current Assets		
Cash	\$ 138,516	\$ 114,019
Receivables		
Trade Accounts	41,162	39,992
Unbilled Revenue	27,451	28,326
Prepaid Expenses	16,986	12,354
Total Current Assets	<u>224,115</u>	<u>194,691</u>
Restricted Assets		
Cash	13,125	12,688
Certificates of Deposit	257,410	257,410
Total Restricted Assets	<u>270,535</u>	<u>270,098</u>
Capital Assets		
Land	70,051	70,051
Water Plant	2,025,204	2,025,204
Distribution System	971,042	971,042
Equipment and Vehicles	295,698	295,698
Construction in Progress	16,059	-
Total	3,378,054	3,361,995
Less Accumulated Depreciation	<u>(1,165,394)</u>	<u>(1,057,491)</u>
Net Capital Assets	<u>2,212,660</u>	<u>2,304,504</u>
Other Assets		
Bond Issue Costs (Net of Amortization 2004: \$10,741 2003 - \$9,527)	5,241	6,455
Economic Development Note Receivable	-	10,000
Total Other Assets	<u>5,241</u>	<u>16,455</u>
Total Assets	<u>\$ 2,712,551</u>	<u>\$ 2,785,748</u>

LIABILITIES & NET ASSETS	<u>2004</u>	<u>2003</u>
Current Liabilities		
Accounts Payable	\$ 3,096	\$ 1,944
Accrued Expenses		
Payroll	3,637	2,690
Sick Pay	9,176	8,473
Interest	93	97
Total Current Liabilities	<u>16,002</u>	<u>13,204</u>
Liabilities Payable from Restricted Assets		
Revenue Bonds	266,348	265,514
Accrued Interest	4,187	4,584
Total Liabilities Payable from Restricted Assets	<u>270,535</u>	<u>270,098</u>
Revenue Bonds (Net of Unamortized Discount		
2004: \$5,214; 2003: \$6,422)	770,438	867,064
Compensated Absenses	8,862	8,192
Total Liabilities	<u>1,065,837</u>	<u>1,158,558</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	1,175,874	1,171,926
Unrestricted	470,840	455,264
Total Net Assets	<u>1,646,714</u>	<u>1,627,190</u>
Total Liabilities and Net Assets	<u>\$ 2,712,551</u>	<u>\$ 2,785,748</u>

See Accompanying Notes to the Financial Statements

Vinton Municipal Water Utility
An Enterprise Fund of the City of Vinton, Iowa
Statements of Revenue, Expenses and Changes in Net Assets
For the Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Operating Revenue		
Metered Sales	\$ 461,344	\$ 476,226
Miscellaneous	13,355	18,464
Total Operating Revenue	<u>474,699</u>	<u>494,690</u>
Operating Expenses		
Wages	108,710	105,908
Payroll Taxes	7,908	7,607
Retirement Plan	6,249	5,962
Employee Benefits	32,319	30,084
Advertising and Publications	534	549
Telephone and Utilities	26,653	26,844
Office Supplies and Postage	6,523	3,584
Insurance	17,832	13,970
Professional Fees	4,718	4,246
Permits and Licenses	1,300	180
Dues, Memberships and Subscriptions	812	1,414
Bad Debts	1,411	1,565
Laundry and Sanitation	777	531
Chemicals	6,938	8,678
Water Testing	1,703	963
Repairs, Maintenance and Operating Supplies		
Plant and Distribution System	8,523	5,325
Vehicles	4,453	13,672
Other	22,696	15,476
Depreciation	107,903	107,805
Miscellaneous	3,987	3,343
Total Operating Expenses	<u>371,949</u>	<u>357,706</u>
Income From Operations	<u>102,750</u>	<u>136,984</u>

(Continued)

Vinton Municipal Water Utility
An Enterprise Fund of the City of Vinton, Iowa
Statements of Revenue, Expenses and Changes in Net Assets
(Continued)
For the Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Nonoperating Revenues (Expenses)		
Interest Income	5,424	8,485
Rental Income	2,820	2,820
Interest Expense	(59,230)	(63,474)
Amortization of Bond Issue Costs	(1,214)	(1,319)
Total Nonoperating Revenues (Expenses)	<u>(52,200)</u>	<u>(53,488)</u>
Income Before Operating Transfers	<u>50,550</u>	<u>83,496</u>
 Contributions to Capital		
City of Vinton Capital Project Fund	-	<u>30,107</u>
 Operating Transfers		
From the City of Vinton	83,213	28,610
To the City of Vinton	(114,239)	(84,262)
Total Operating Transfers	<u>(31,026)</u>	<u>(55,652)</u>
Change in Net Assets	19,524	57,951
 Net Assets - Beginning of Year	<u>1,627,190</u>	<u>1,569,239</u>
 Net Assets - End of Year	<u>\$ 1,646,714</u>	<u>\$ 1,627,190</u>

See Accompanying Notes to the Financial Statements

Vinton Municipal Water Utility
An Enterprise Fund of the City of Vinton, Iowa
Statements of Cash Flows
For the Years Ended June 30, 2004 and 2003

	2004	2003
Cash Flows from Operating Activities		
Cash Received from Metered Sales	\$ 461,049	\$ 474,281
Cash Received from Miscellaneous Income	13,355	18,464
Cash Paid to Employees for Services	(153,267)	(147,307)
Cash Paid to Suppliers and Others	(111,132)	(106,025)
Net Cash Provided by Operating Activities	210,005	239,413
Cash Flows from Noncapital Financing Activities		
Transfers to the City of Vinton	(114,239)	(84,262)
Transfers from the City of Vinton	83,213	28,610
Net Cash (Used) in Noncapital Financing Activities	(31,026)	(55,652)
Cash Flows from Capital and Related Financing Activities		
Acquisition and Construction of Capital Assets	(16,059)	(97,411)
Proceeds from Issuance of Revenue Bonds	-	40,000
Repayment of Revenue Bonds	(97,000)	(96,000)
Payment of Interest on Revenue Bonds	(59,230)	(63,474)
Net Cash (Used) in Capital and Related Financing Activities	(172,289)	(216,885)
Cash Flows from Investing Activities		
Investment in Certificates of Deposit	(257,410)	(257,410)
Proceeds from Maturities of Certificates of Deposit	257,410	257,410
Collection of Economic Development Note Receivable	10,000	-
Interest Received from Investing Activities	5,424	8,485
Rental Income Received	2,820	2,820
Net Cash Provided by Investing Activities	18,244	11,305
Net Increase (Decrease) in Cash	24,934	(21,819)
Cash at Beginning of Year	126,707	148,526
Cash at End of Year	\$ 151,641	\$ 126,707
Reconciliation of Cash		
Cash	\$ 138,516	\$ 114,019
Restricted Assets		
Revenue Note Sinking Fund Cash	13,125	12,688
Total Cash	\$ 151,641	\$ 126,707

(continued)

Vinton Municipal Water Utility
An Enterprise Fund of the City of Vinton, Iowa
Statements of Cash Flows (continued)
For the Years Ended June 30, 2004 and 2003

	2004	2003
Cash Flows from Operating Activities		
Income from Operations	\$ 102,750	\$ 136,984
Adjustments to Reconcile Income From Operations to		
Net Cash Provided by Operating Activities		
Depreciation and Amortization	109,110	109,117
Change in Assets and Liabilities		
(Increase) in Trade Accounts Receivable and		
Unbilled Revenue	(295)	(1,945)
(Increase) in Prepaid Expenses	(4,632)	(2,996)
Increase (Decrease) in Accounts Payable	1,152	(4,001)
Increase in Accrued Expenses	1,919	2,254
Net Cash Provided by Operating Activities	\$ 210,004	\$ 239,413

See Accompanying Notes to the Financial Statements

Vinton Municipal Water Utility

Notes to Financial Statements

NOTE 1. Nature of Organization and Significant Accounting Policies

Reporting Entity

The Vinton Municipal Water Utility is an enterprise fund of the City of Vinton, Iowa, as determined by criteria specified by the Government Accounting Standards Board. The Utility supplies water and grants credit to approximately 2,500 residential and business customers within the City. The accompanying financial statements present the financial position, results of operations and cash flows of the Utility only.

Jointly Governed Organizations

City of Vinton officials govern the operations of the Utility. The City 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: 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.

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Utility applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Utility distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Utility's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Vinton Municipal Water Utility

Notes to Financial Statements

NOTE 1. Nature of Organization and Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Cash Equivalents

For purposes of the statement of cash flows, the Utility considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

Accounts Receivable

Bad debts are accounted for using the specific charge-off method. The Utility's management believes all receivables shown on the balance sheet are collectible.

Unbilled Revenue

The Utility follows the practice of reading its customers' meters before month end. As a result, at June 30, 2004 and 2003, the Utility had provided water service to its customers for part of the month of June but had not yet billed the customers.

Unbilled revenue of \$27,451 and \$28,326 was accrued at June 30, 2004 and 2003, respectively.

Capital Assets

The accompanying balance sheets do not include all of the assets of the Utility. Capital Assets include only the cost of capital improvements related to the 1956 and 1967 Water Revenue Bond issues and the cost of additions after December 31, 1970. Utility plant not in service, consisting of repair pipes and valves, is also excluded from the accompanying balance sheets.

Under generally accepted accounting principles, capital assets must be recorded on the financial statements at their original cost and depreciated over their estimated useful lives. No determination of the effects of excluding certain assets of the Utility and their related depreciation from the financial statements has been made.

Vinton Municipal Water Utility

Notes to Financial Statements

NOTE 1. Nature of Organization and Significant Accounting Policies (Continued)

Capital Assets (continued)

Depreciation is computed under the straight-line method over the estimated useful lives as follows:

<u>Type</u>	<u>Estimated Useful Lives</u>
Water Plant	10 to 50 Years
Distribution System	6 to 50 Years
Equipment and Vehicles	3 to 50 Years

The cost of repairs and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Unamortized Bond Costs

Costs to issue water revenue bonds are amortized using the effective interest method over the life of the bonds. Amortization of bond issue costs was \$1,214 and \$1,319 for 2004 and 2003, respectively.

Discount on Water Revenue Bonds

The original discount of \$15,900 on the water revenue bonds issued in 1997 is being amortized using the effective interest method over the life of the bonds. Accumulated amortization as of June 30, 2004 and 2003 was \$10,686 and \$9,478, respectively. Discount amortization for 2004 and 2003, which was added to interest expense, was \$1,208 and \$1,312, respectively.

Budgets and Budgetary Accounting

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

Vinton Municipal Water Utility

Notes to Financial Statements

NOTE 2. Deposits and Pooled Investments

The Utility's deposits in banks at June 30, 2004 and 2003 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 Utility 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; and certain joint investment trusts and warrants or improvement certificates of a drainage district.

The Utility had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

NOTE 3. Cash Flow Statement Supplementary Information

<u>Schedule of Noncash Investing and Financing Activities</u>	<u>2004</u>	<u>2003</u>
Acquisition of Capital Assets and Construction		
Cost of Property and Equipment	\$ 16,059	\$ 125,843
Construction in Progress		
Prior Year	----	----
Related Amounts Payable		
Current Year	----	----
Prior Year	----	1,675
Water Mains Contributed by City of Vinton	-----	<u>(30,107)</u>
Cash Paid for Acquisition of Capital Assets and Construction	<u>\$ 16,059</u>	<u>\$ 97,411</u>

Vinton Municipal Water Utility

Notes to Financial Statements

NOTE 4. Restricted Assets

Restricted assets represent monies set aside under terms of bond covenants, to provide security for deposits and to pay for the cost of upgrades to the water supply system. The composition of these funds as of June 30 was as follows:

	<u>2004</u>	<u>2003</u>
Bond Covenants		
Debt Sinking Fund	\$ 13,125	\$ 12,688
Debt Reserve	157,410	157,410
Capital Improvements	<u>100,000</u>	<u>100,000</u>
 Total	 <u>\$ 270,535</u>	 <u>\$ 270,098</u>

Restricted assets are deposited in bank savings accounts and certificates of deposit. All interest earned is unrestricted and deposited as general revenue of the Utility. Debt sinking and debt reserve amounts may only be used for payment of principal and interest on long-term debt. The capital improvements amounts may be used for capital improvements provided that no deficiency exists in the amounts required to be paid into the sinking and reserve funds.

Liabilities which are to be paid with restricted assets are set forth separately on the accompanying balance sheets.

NOTE 5. Capital Assets

A summary of capital assets at June 30, 2004 is as follows:

	<u>Balance, Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, End of Year</u>
Capital Assets not being Depreciated:				
Land	\$ 70,051	\$ ----	\$ ----	\$ 70,051
Construction in Progress	<u>----</u>	<u>16,059</u>	<u>----</u>	<u>16,059</u>
Total Capital Assets not being Depreciated	<u>70,051</u>	<u>16,059</u>	<u>----</u>	<u>86,110</u>
Capital Assets being Depreciated:				
Water Plant	2,025,204	----	----	2,025,204
Distribution System	971,042	----	----	971,042
Equipment and Vehicles	<u>295,698</u>	<u>----</u>	<u>----</u>	<u>295,698</u>
Total Capital Assets being Depreciated	\$ 3,291,944	\$ ----	\$ ----	\$ 3,291,944

Vinton Municipal Water Utility

Notes to Financial Statements

NOTE 5. Capital Assets (Continued)

	<u>Balance, Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, End of Year</u>
Less Accumulated Depreciation for: Water Plant, Distribution System, Equipment and Vehicles	<u>1,057,491</u>	<u>107,903</u>	<u>-----</u>	<u>1,165,394</u>
Total Capital Assets being Depreciated, Net	<u>2,234,453</u>	<u>(107,903)</u>	<u>-----</u>	<u>2,126,550</u>
Total Capital Assets, Net	<u>\$ 2,304,504</u>	<u>\$(91,844)</u>	<u>\$ -----</u>	<u>\$ 2,212,660</u>

NOTE 6. Summary of Long-Term Debt

	<u>Current Portion</u>	
	<u>2004</u>	<u>2003</u>
Water Revenue Bonds, Series 1997, Bankers Trust Company, Des Moines, Iowa – registered agent, due in annual payments beginning June 1, 1998, ranging from \$65,000 to \$150,000, through June 1, 2012, plus interest semi-annually at rates ranging from 5 to 5.35%, depending on maturity, collateralized by first lien on net revenue.	\$ 105,000	\$ 95,000
Water Revenue Bonds, Series 2002, Iowa Department of Natural Resources, due in annual payments beginning June 1, 2003, ranging from \$1,000 to \$3,000, through June 1, 2022, plus interest semi-annually at a rate of 3.00%.	<u>2,000</u>	<u>2,000</u>
	<u>\$ 107,000</u>	<u>\$ 97,000</u>

Vinton Municipal Water Utility

Notes to Financial Statements

NOTE 6. Summary of Long-Term Debt (Continued)

	<u>Long-Term Portion</u>	
	<u>2004</u>	<u>2003</u>
Water Revenue Bonds, Series 1997, Bankers Trust Company, Des Moines, Iowa – registered agent, due in annual payments beginning June 1, 1998, ranging from \$65,000 to \$150,000, through June 1, 2012, plus interest semi-annually at rates ranging from 5 to 5.35%, depending on maturity, collateralized by first lien on net revenue.	\$ 900,000	\$ 1,005,000
Water Revenue Bonds, Series 2002, Iowa Department of Natural Resources, due in annual payments beginning June 1, 2003, ranging from \$1,000 to \$3,000, through June 1, 2022, plus interest semi-annually at a rate of 3.00%.	35,000	37,000
Less Unamortized Discount	<u>5,214</u>	<u>6,422</u>
	<u>\$ 929,786</u>	<u>\$ 1,035,578</u>

Interest expense for the years ended June 30, 2004 and 2003, net of amounts capitalized, includes \$58,022 and \$62,162, respectively, on the bonds plus \$1,208 and \$1,312, respectively, for discount amortization.

At June 30, 2004, annual maturities of long-term debt were as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 107,000	\$ 53,613	\$ 160,613
2006	112,000	48,250	160,250
2007	117,000	42,580	159,580
2008	122,000	36,598	158,598
2009	127,000	30,297	157,297
2010-2014	440,000	50,050	490,050
Thereafter	<u>17,000</u>	<u>2,400</u>	<u>19,400</u>
Sub-Total	1,042,000	263,788	1,305,788
Less: Unamortized Bond Discount	5,214	----	<u>5,214</u>
Net Total	<u>\$ 1,036,786</u>	<u>\$ 263,788</u>	<u>\$ 1,300,574</u>

The 1997 water revenue bonds require 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. The Utility was in compliance with required covenants for the years ended June 30, 2004 and 2003.

Vinton Municipal Water Utility

Notes to Financial Statements

NOTE 7. Economic Development Loan

During the year ended June 30, 1994, the Utility loaned \$10,000 to West First Street Limited Liability Company to assist in financing a speculative "shell building". The loan bears no interest and repayment was due when West First Street Limited Liability Company sold the building to a third party. This loan was repaid during the year ended June 30, 2004.

NOTE 8. Retirement Systems

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

Plan members are required to contribute 3.70% of their annual salary and the Utility is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Utility's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$6,249, \$5,962 and \$5,644, equal to the required contributions for each year.

NOTE 9. Compensated Absences

The Utility's 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. The vacation days are accumulated during the year based on the anniversary date of each employee. Accrued vacation pay was \$8,862 and \$8,192 at June 30, 2004 and 2003, respectively.

The Utility has a sick leave policy for all employees except part-time and probationary employees of less than 30 days. Under the plan, employees earn sick leave hours at the rate of one day per month, up to a maximum of 120 days. Accrued sick pay was \$9,176 and \$8,473 at June 30, 2004 and 2003, respectively.

Vinton Municipal Water Utility

Notes to Financial Statements

NOTE 10. Related Party Transactions

The Utility reimburses the City of Vinton, Iowa, for the City's share of water billings. Amounts earned for the City's usage are included in gross sales and as an operating transfer on the statement of revenue, expenses and changes in net assets. For the years ended June 30, 2004 and 2003, the Utility reimbursed the City \$532 and \$436, respectively, for water usage. In addition, during the years ended June 30, 2004 and 2003, the Utility transferred \$81,462 and \$65,845, respectively, to the City for administrative expenses associated with operating the Utility. During the years ended June 30, 2004 and 2003, the Utility purchased electricity from the Vinton Municipal Electric Utility for \$17,789 and \$18,317, respectively.

During 2004 and 2003, the Utility transferred \$155,521 and \$158,460, respectively, to the City's Debt Service Fund for payments on the Utility's revenue bond.

During 2004 and 2003, the City transferred \$29,754 and \$28,610, respectively, to the Utility for projects and expenses paid by the Utility for the City, and the Utility transferred \$1,381 and \$2,086, respectively, to the City for expenses paid by the City for the Utility.

During 2003, the City transferred \$30,107 worth of water mains, paid for with City funds, to the Utility.

During 2004, the City transferred \$53,459 to the Utility for projects and expenses paid by the Utility for the City relating to the SE TIF district.

The Utility had business transactions between the Utility and Utility officials, totaling \$5,862 during the year ended June 30, 2004.

NOTE 11. Contributed Capital

The following is a summary of changes in contributed capital during the years ended June 30:

	<u>2004</u>	<u>2003</u>
Contributed Capital – Beginning of Year	\$ 202,408	\$ 172,301
Capital Contributions – City of Vinton	<u>-----</u>	<u>30,107</u>
Contributed Capital – End of Year	<u>\$ 202,408</u>	<u>\$ 202,408</u>

Vinton Municipal Water Utility

Notes to Financial Statements

NOTE 12. Risk Management

The Utility is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Utility 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 Utility is involved in a legal action with a property owner seeking monetary damages resulting from a sewer backup on their property. The claim has been submitted to the Utility's insurance carrier and in the opinion of management, such matter will not have a material effect on the financial position of the Utility.

NOTE 13. Accounting Change

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in 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 by the Utility for the year ended June 30, 2004. The change did not result in any restatement to the financial statements.

Required Supplementary Information

Vinton Municipal Water Utility
Budgetary Comparison Schedule of Receipts, Disbursements and
Changes in Net Assets - Budget and Actual (Cash Basis)
Required Supplementary Information
Year Ended June 30, 2004

	<u>Actual</u>	<u>Less Funds not Required to be Budgeted</u>
Receipts:		
Use of Money and Property	\$ 8,244	\$ -
Charges for Service	461,049	-
Miscellaneous	23,355	-
Total Receipts	<u>492,648</u>	<u>-</u>
Disbursements:		
Business Type Transactions	436,688	-
Net	<u>55,960</u>	<u>-</u>
Other Financing Sources (Uses), Net	<u>(31,026)</u>	<u>-</u>
Change in Cash Basis Net Assets	24,934	-
Cash Basis Net Assets, Beginning of Year	<u>384,117</u>	<u>-</u>
Cash Basis Net Assets, End of Year	<u><u>\$ 409,051</u></u>	<u><u>\$ -</u></u>

<u>Net</u>	<u>Budgeted Amounts</u>	<u>Final to Net Variance</u>
\$ 8,244	\$ 8,520	\$ (276)
461,049	467,205	(6,156)
<u>23,355</u>	<u>1,050</u>	<u>22,305</u>
492,648	476,775	15,873
<u>436,688</u>	<u>504,736</u>	<u>(68,048)</u>
55,960	(27,961)	83,921
<u>(31,026)</u>	<u>(145,738)</u>	<u>114,712</u>
24,934	(173,699)	198,633
<u>384,117</u>	<u>384,117</u>	<u>-</u>
<u>\$ 409,051</u>	<u>\$ 210,418</u>	<u>\$ 198,633</u>

**Vinton Municipal Water Utility
Budget to GAAP Reconciliation
Required Supplementary Information
Year Ended June 30, 2004**

	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Accrual Basis</u>
Revenues:			
Use of Money and Property	\$ 8,244	\$ -	\$ 8,244
Charges for Services	461,049	295	461,344
Miscellaneous	23,355	(10,000)	13,355
Total Revenues	<u>492,648</u>	<u>(9,705)</u>	<u>482,943</u>
Expenditures:			
Business Type Transactions	<u>436,688</u>	<u>(4,295)</u>	<u>432,393</u>
Net	55,960	(5,410)	50,550
Other Financing Sources (Uses), Net	(31,026)	-	(31,026)
Net Assets, Beginning of the Year	<u>384,117</u>	<u>1,243,073</u>	<u>1,627,190</u>
Net Assets, End of the Year	<u><u>\$ 409,051</u></u>	<u><u>\$ 1,237,663</u></u>	<u><u>\$ 1,646,714</u></u>

Vinton Municipal Water Utility

Notes to Required Supplementary Information – Budgetary Reporting

The Vinton Municipal Water Utility prepares a budget on the cash basis of accounting and submits it to the City Council. 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. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon classes of disbursements, known as function, not by fund. The Utility's disbursements are budgeted in the business type activities function.

During the year ended June 30, 2004, disbursements did not exceed the amount budgeted.

Other Supplementary Information

Vinton Municipal Water Utility
An Enterprise Fund of the City of Vinton, Iowa
Capital Assets and Accumulated Depreciation
For the Years Ended June 30, 2004 and 2003

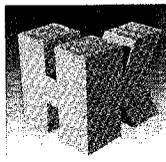
<i>Assets</i>	Balance <u>6/30/2002</u>	<u>Additions</u>	<u>Disposals</u>
Land	\$ 30,448	\$ 39,603	\$ -
Water Plant	2,002,912	22,292	-
Distribution System	938,286	32,756	-
Equipment and Vehicles	270,498	31,192	5,992
Construction in Progress	-	-	-
Total Assets	<u>\$ 3,242,144</u>	<u>\$ 125,843</u>	<u>\$ 5,992</u>

Accumulated Depreciation

Water Plant	\$ 432,599	\$ 49,537	\$ -
Distribution System	348,075	29,585	-
Equipment and Vehicles	<u>175,003</u>	<u>28,684</u>	<u>5,992</u>
Total Accumulated Depreciation	<u>\$ 955,677</u>	<u>\$ 107,806</u>	<u>\$ 5,992</u>

Balance 6/30/2003	Additions	Disposals	Balance 6/30/2004	Carrying Value Less Accumulated Depreciation	
				6/30/2004	6/30/2003
\$ 70,051	\$ -	\$ -	\$ 70,051	\$ 70,051	\$ 70,051
2,025,204	-	-	2,025,204	1,490,750	1,543,068
971,042	-	-	971,042	566,770	593,382
295,698	-	-	295,698	69,030	98,003
-	16,059	-	16,059	16,059	-
<u>\$ 3,361,995</u>	<u>\$ 16,059</u>	<u>\$ -</u>	<u>\$ 3,378,054</u>	<u>\$ 2,212,660</u>	<u>\$ 2,304,504</u>

				Life in Years
\$ 482,136	\$ 52,318	\$ -	\$ 534,454	10 - 50
377,660	26,612	-	404,272	6 - 50
197,695	28,973	-	226,668	3 - 50
<u>\$ 1,057,491</u>	<u>\$ 107,903</u>	<u>\$ -</u>	<u>\$ 1,165,394</u>	



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

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting

Vinton Municipal Water Utility
Vinton, Iowa

We have audited the financial statements of the Vinton Municipal Water Utility (Utility), an enterprise fund of the City of Vinton, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon September 22, 2004. Our report was qualified due to the fact that the Utility has only recorded capital improvements related to the 1956 and 1967 Water Revenue Bond issues and the cost of additions subsequent to December 31, 1970. 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 Utility's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and 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*.

Comments involving statutory and other legal matters about the Utility's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the Utility. 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. There were no prior year findings relative to statutory or other legal matters.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Utility'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 Utility's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are determined in Part II of the accompanying Schedule of Findings and Statutory Reporting.

A material weakness is a condition in which the design or operation of one or more of 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 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 described above, we believe item II-A-04 is a material weakness.

This report, a public record by law, is intended solely for the information and use of the Mayor, City Council and management of the Vinton Municipal Water Utility and other parties to whom the Utility 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 Vinton Municipal Water Utility 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.



Dubuque, Iowa
September 22, 2004

**Vinton Municipal Water Utility
Schedule of Findings and Statutory Reporting
Year Ended June 30, 2004**

Part I. Summary of the Independent Auditors' Results

- a. A qualified opinion was issued on the financial statements due to the fact that the Utility has only recorded capital improvements related to the 1956 and 1967 Water Revenue Bond issues and the cost of additions subsequent to December 31, 1970.
- b. Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- c. The audit did not disclose any noncompliance which is material to the financial statements.
- d. A Single Audit was not required for the Vinton Municipal Water Utility, in accordance with Office of Management and Budget (OMB) Circular A-133.

Part II. Findings Related to the Financial Statements

Instances of Non Compliance:

No matters were noted.

Reportable Conditions

- II-A-04 Segregation of Duties** - One important aspect of the internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

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

Response – The Utility is aware of the lack of segregation of duties and has considered alternatives to improve this situation.

Conclusion – Response accepted.

**Vinton Municipal Water Utility
Schedule of Findings and Statutory Reporting
Year Ended June 30, 2004**

Part III. Other Findings Related to Required Statutory Reporting

- III-A-04 Official Depositories** – A resolution naming official depositories has been approved by the Utility. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- III-B-04 Certified Budget** – Utility disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted.
- III-C-04 Questionable Disbursements** – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-D-04 Travel Expense** – No disbursements of the Utility money for travel expenses of spouses of the Utility officials or employees were noted.
- III-E-04 Business Transactions** – There were no business transactions between the Utility and Utility officials or employees.
- III-F-04 Bond Coverage** – Surety bond coverage of the Utility officials and employees is in accordance with statutory provisions and was reviewed and updated during the year. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-G-04 Council Minutes** – No transactions were found that we believe should have been included in the minutes but were not.
- III-H-04 Deposits and Investments** – We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- III-I-04 Revenue Bonds** – We noted no instances of failure to comply with bond covenants.

December 31, 2004

Vinton Municipal Water Utility
Vinton, Iowa

PREPARATION OF AUDIT FOR THE YEAR ENDED JUNE 30, 2004

<u>STAFF</u>	<u>HOURS</u>	<u>TOTAL</u>
Heather N. Deininger	2.00	
Douglas D. Funke	9.20	
Sue M. Lawler	6.02	
Scott R. Arensdorf	52.90	
Danell A. DeBacker	.55	
Dale J. Leibfried	.08	
Chris Splinter – (Typing and Copying)	<u>7.73</u>	
Total Hours	<u>78.48</u>	
Total Audit Fee		<u>\$ 2,795</u>

News Release

For Release: _____

Honkamp Krueger & Co., P.C. released an audit report on the Vinton Municipal Water Utility.

The Utility 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 provide information about the activities of the Utility as a whole. Also included is Management's Discussion and Analysis of the Utility's financial statements.

The Utility had total revenues of \$482,943 for the year ended June 30, 2004, which included metered sales of \$461,344, interest income of \$5,424, rental income of \$2,820, and \$13,355 in other revenue. Net operating transfers to the City totaled \$31,026 for the year ended June 30, 2004.

Expenses totaled \$432,393 for the year ended June 30, 2004, which included \$155,186 for employee salaries and benefits, \$107,904 for depreciation expense, \$59,230 for interest expense, \$35,672 for repairs and maintenance, and \$74,401 in other expenses.

This report contains recommendations to the Utility. For example, several functions of the accounting system are handled by the same person including collections, recording, posting and adjustments. The Utility has responded that it is aware of the lack of segregation of duties and has considered alternatives to improve this situation.

A copy of the audit report is available for review in the office of Auditor of State and the Vinton Municipal Water Utility.