

*Financial Statements*

*City of Vinton*

*June 30, 2005*

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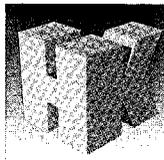
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# City of Vinton

## List of Officials

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



**Honkamp Krueger & Co., PC.**  
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, 2005, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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.

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, 2005, 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 August 24, 2005 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing and not to provide and opinion on internal control over financial reporting or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 34 through 35 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 conducted 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, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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.



Dubuque, Iowa  
August 24, 2005

# 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, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2005 FINANCIAL HIGHLIGHTS

- Construction Contracts - Approved a contract for the 2004 Sanitary Sewer Extension to Eastview Estates, Second Addition (a TIF project) for \$28,846.40 with F.L. Krapfl on July 8, 2004. Council gave final approval to the Eastview project November 11, 2004. Final acceptance of the 2003 9th St. and D Avenue curb and gutter improvement on July 8, 2004. Awarded Final acceptance of the E. 5th and 6th Street sewer and water extension project on August 12, 2004. Approved a contract for \$23,905.75 to Dave Schmitt Construction for sanitary sewer extension on W. 6th St. September 23, 2004; which contract was given final acceptance January 27, 2005. Gave final acceptance to the Highway 150 (C Ave.) paving project (L.L.Pelling contractor) October 4, 2004. Awarded a contract for the 2005 street improvements project - Bascom and Wenner subdivisions, April 28, 2005, to K. Cunningham Construction of Cedar Falls in the amount of \$351,857.02 (a TIF project). On June 9, 2005, Council accepted a donated conveyance of land from Anderson for the proposed 21st Street project which will be improved for the new high school to be built on the south side of the street. On June 22, 2005, Council approved an agreement with IDOT for an enhancement project entitled Vinton Brick Street Restoration (2nd Avenue).
- Equipment & Vehicle Repair & Replacement - Council awarded a bid for a 12-foot chip spreader June 23, 2004 to Sealmaster Ind. for \$15,311, which was received and paid in FY05. Awarded a bid for a 2005 model 3/4 ton Ford pickup for the Street Department September 23, 2004 in the amount of \$17,249, replacing a 1992 model which was transferred to the Parks & Recreation Department. Also, for the Street Dept., purchased a reversible plow for \$6,352. and a salt and sand spreader for \$4,223, October 28, 2004; and purchased a LeeBoy 9 wheel rubber tire roller at Hilpipe Auction, October 23, 2004, for \$15,950. March 10th Council awarded a bid for a replacement tractor for the Wastewater Treatment Plant and other uses to Kromminga Motors of Vinton for \$71,750. The old tractor (1981 Case) was transferred to the Airport for use in cutting grass and snow removal. On June 9, 2005 Council awarded a bid for a replacement commercial mower to Kromminga Motors, Vinton, for \$5,970.00 with trade-in. The mower will be paid for after July 1st from the Water Operating fund.
- Airport - Accepted a grant from the FAA of \$239,400 for airport improvements July 8, 2004. A contract for said improvements was approved August 12, 2004 with Tschiggfrie Excavating of Dubuque for \$195,066.95. This project was 95% FAA grant funded, and Council approved final acceptance of the project December 9, 2004. A major windstorm August 3rd caused damage at the airport. EMC Insurance Co. sent a reimbursement check

## City of Vinton Management's Discussion and Analysis

for \$22,616. October 4th, and an additional check November 30th for \$6,144. August 6th the City filed a lawsuit against a property owner for completion of the 2002 Runway 9 obstruction removal agreement. An inspection on December 28th showed that the work had been completed except moving some logs and stumps, and the City asked IDOT to sign off on final completion and payment of \$1,381.95, the remainder of the grant. Final grant payment was received January 24, 2005 and the lawsuit was dismissed without prejudice. In November 2004, the airport was advised that it had been identified as one of six to receive 95% grant funding for an updated airport layout plan which will be administered by IDOT. The FAA authorized bids for an AIP project to install a new rotating beacon and tower December 2, 2004 (the federal share is estimated at 95%). Bids were opened March 4, 2005, and awarded April 14, 2005 to K. W. Electric of Cedar Falls in the amount of \$16,944.00. February 24th Council authorized an application for a USDA Rural Development grant to assist in construction a new T-hanger at the airport. March 31st Council authorized an application to the Vision Iowa program for a CAT grant to also help finance the same new hanger.

- Annexation - The Council voted to annex 114.4 acres into the City limits on September 2, 2004. The annexation was voluntary and requested by Derald and Karen Merchant. It is located on the east side of the city and included two other consenting properties to avoid creating an island and to have a more uniform boundary, one property of which was the Animal Shelter owned by the County and operated by the City. The annexation was final upon notice from the Iowa Secretary of State, which was dated October 6, 2004. A preliminary plat of subdivision, called Avonlea Estates, for 108.61 acres of this land was approved by Council May 12, 2005. On May 26, 2005 this territory was made an urban renewal area (TIF area entitled SE#2) by passage of a Resolution of Necessity and urban renewal plan amendment. The ordinance adopting the division of taxes for the said TIF area was June 22, 2005.
- Bond Issue - Council approved a \$940,000 GO bond issue November 11, 2004 which included funds for the County Home sewer project, a new fire truck, Wenner's First Addition paving and Bascom's 2nd Addition paving. Net interest rate on this 11-year bond is 3.524200%.
- Water Utility - Council approved a bid October 14, 2004 to repaint the inside of the east water tower, for \$5,790 to Cunningham Sandblasting of Joplin, MO. City ordinance requires the water rate to be reviewed annually at budget time. On January 27, 2005, Council passed Ordinance No. 907 increasing the rate by 6%, which will first be collected in March. In January 2004, the City completed a vulnerability assessment with assistance from the Iowa Rural Water Association, required by public water systems, by the EPA, resulting in an Emergency Response Plan. On February 14, 2005, the City was informed that it had received a \$5,000.00 grant from Iowa Homeland Security through Benton County Emergency Management toward the purchase of an alarm system, one element of

## City of Vinton Management's Discussion and Analysis

the ERP. The alarm system was awarded by the State to A-1 Alarm Co. of Cedar Rapids. The system was installed in April at a cost of \$8,331.00, with the City share being \$3,331.00.

- Fire Department - Council awarded a bid for a new fire truck June 23, 2004 to Heiman Bros. for \$171,623. The truck was received March 4, 2005. On October 14, 2004, Council voted that the 1956 Howe fire truck was surplus and authorized sale to the highest bidder. The Howe was sold for \$2,650.00 to local buyers. Council, January 13, 2005, also approved an agreement to sell a 1991 Ford Toyne pumper fire truck for \$35,000.00 to the Olin Fire Department of which 30% of the proceeds were deposited in the Rural Fire Capital Reserve Fund.
- Police Department - one police officer retired on a disability in February 2005, and one resigned to go into private business. After the application process, one new officer was hired to begin March 28, 2005, and was sent to the Police Academy. A second new officer was hired effective April 11th.
- Union Agreements - January 13, 2005 Council approved a new three-year contract with the Teamsters Clerical Unit for July 1, 2005 through June 30, 2008. On February 10, 2005, Council approved a letter of understanding to amend the contract with Local Union No. 55, IBEW, for wage rates to add a new position ("Conservation Supervisor") in the Street Department the following fiscal year.
- Composting Yard Waste - The Benton County Supervisors agreed to contribute \$7,000.00 per year toward the cost of the City composting and tree burning operation. The Vinton site will be open to all of Benton County but is expected to serve primarily the north half. The City received a solid waste alternatives program (SWAP) grant from the IDNR in February (the contract was approved by Council February 10, 2005), consisting of a \$20,000.00 forgivable loan and a \$4,750.00 zero interest loan, toward the purchase of a compost aerator. A bid for a paddle aerator was awarded to Brown Bear Corp. of Corning, Iowa, in the amount of \$34,589.00. The aerator was delivered March 23, 2005. On February 24<sup>th</sup>, Council adopted an ordinance increasing the landfill fee from \$4.60 per month to \$4.88 per month primarily because Benton County increased their landfill fee to the City to \$17.00 per capita per year (\$86,734.00) for fiscal year 2006. On March 31<sup>st</sup>, Council approved a 3% rate increase for Waste Management, garbage and recycling collection, beginning July 1st.
- Solid Waste and Recycling Collection - March 11, 2005, Waste Management requested a 3% increase, from \$7.41 per residential unit to \$7.63, to take effect July 1, 2005, because of increased costs (primarily fuel and health insurance). The rate had remained unchanged for the first 24 months of the five-year contract. Said increase was approved by Council May 12, 2005 (Ordinance No. 912) increasing the household rate to \$8.98.

## **City of Vinton Management's Discussion and Analysis**

- Flood Mitigation Assistance - February 24th Council approved a grant agreement with Iowa Homeland Security and Emergency Management Division for a one-property acquisition project, under which the Federal share is 75% (\$56,176.), State 10% (\$7,490.) and City 15% (\$11,235.). It is planned that the City share will be largely in-kind to clean up the property. On March 31<sup>st</sup>, Council approved a planning grant agreement with HLSEM not to exceed \$3,525, as a 75% federal share, to develop/complete a PDM Local Hazard Mitigation Plan. Also on March 31<sup>st</sup>, Council approved a contract for planning services with Steve Meyer for \$3,525.
- Housing Programs - The HOME grant for LMI down payment assistance had been extended on March 10, 2005. Council extended the contract with ECICOG for administration until August 1, 2005. The City condemned a house at 702 E. 10th St., known as the Hernandez property, purchased the property, demolished the house; and resold the property May 26, 2005 for \$11,100.00. Proceeds from sale will be used for the next condemnation under the dangerous buildings ordinance.
- General Fund Cash - In preparing the fiscal year 2005-2006 General Fund budget, it was estimated that the cash balance at June 30, 2005 would be \$276,854. The actual general fund cash balance at June 30, 2005 was \$251,846, a shortage of \$25,008, which will have to be made up in the 2006-2007 budget. This is the result of the Police Department over expending their budget by \$10,089, but more importantly over expending the re-estimate for FY05 by \$35,285. During the year one officer was on long-term sick time and then retired. A second officer also resigned, requiring a buyout of accrued benefits, 13 weeks of police academy in Des Moines for one new officer, and equipping two new officers. The Department has seven full time positions, including the Chief, but must expend extra money for reserves and overtime if regular staff cannot fill the normal schedule.

### **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.

# **City of Vinton**

## **Management's Discussion and Analysis**

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

### **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 20. 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

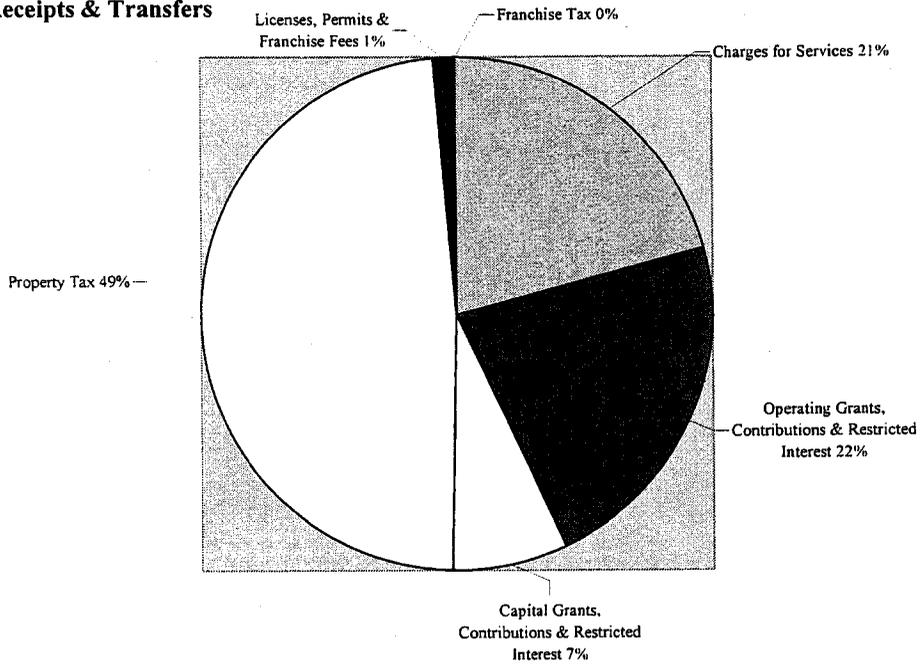
### GOVERNMENT-WIDE FINANCIAL ANALYSIS

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.

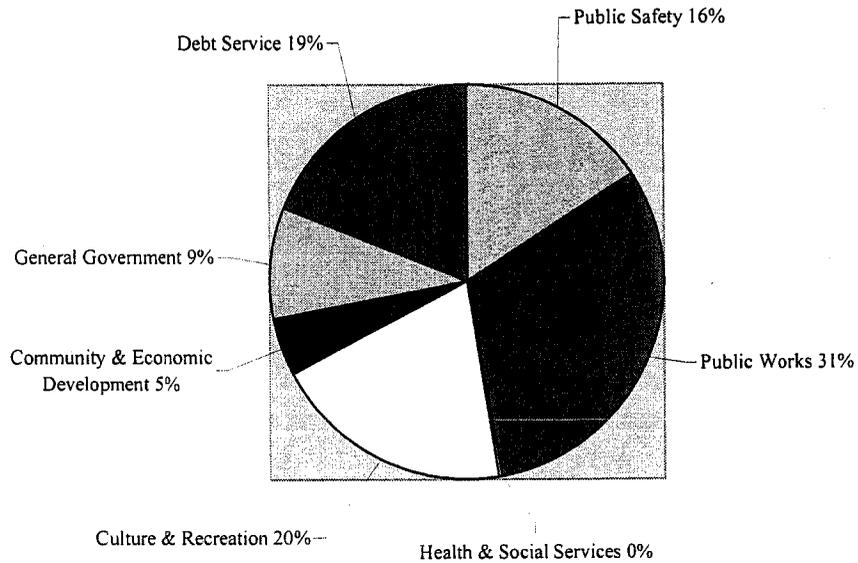
| City of Vinton  |                             |                             |
|---|-----------------------------|-----------------------------|
| Changes in Cash Basis Net Assets of Governmental Activities |                             |                             |
|   | Year Ended<br>June 30, 2005 | Year Ended<br>June 30, 2004 |
| <b>Receipts and Transfers:</b>                              |                             |                             |
| Program Receipts:   |                             |                             |
| Charges for service   | \$ 676,383                  | \$ 871,064                  |
| Operating grants, contributions and restricted interest     | 658,564                     | 558,435                     |
| Capital grants, contributions and restricted interest       | 239,955                     | 148,932                     |
| General Receipts:   |                             |                             |
| Property Tax  | 1,565,303                   | 1,498,722                   |
| Licenses, Permits & Franchise Fees                          | 43,186                      | 30,544                      |
| Franchise Tax   | 1,454                       | 7,178                       |
| Unrestricted Interest on Investments                        | 65,730                      | 54,364                      |
| Debt Proceeds   | 937,180                     | 2,025,000                   |
| Other General Receipts                                      | 166,358                     | 198,103                     |
| Sale of Assets  | 16,628                      | 6,500                       |
| Transfers, net  | <u>573,222</u>              | <u>373,795</u>              |
| Total Receipts and Transfers                                | <u>\$ 4,943,963</u>         | <u>\$ 5,772,637</u>         |
| <b>Disbursements:</b>                                       |                             |                             |
| Public Safety   | \$ 623,284                  | \$ 861,083                  |
| Public Works  | 1,248,657                   | 448,162                     |
| Health and Social Services                                  | 10,489                      | 11,329                      |
| Culture and Recreation                                      | 780,496                     | 898,418                     |
| Community and Economic Development                          | 185,226                     | 240,546                     |
| General Government  | 360,937                     | 324,159                     |
| Debt Service  | 752,455                     | 1,298,258                   |
| Capital Projects  | <u>311,993</u>              | <u>804,941</u>              |
| Total Disbursements   | <u>4,273,537</u>            | <u>4,886,896</u>            |
| Increase in Cash Basis Net Assets                           | 670,426                     | 885,741                     |
| Cash Basis Net Assets, Beginning of Year                    | <u>2,346,897</u>            | <u>1,461,156</u>            |
| Cash Basis Net Assets, End of Year                          | <u>\$ 3,017,323</u>         | <u>\$ 2,346,897</u>         |

# City of Vinton Management's Discussion and Analysis

## Receipts & Transfers



## Disbursements



## City of Vinton Management's Discussion and Analysis

The City's receipts and net transfers for governmental activities totaled \$4,943,963 for Fiscal 2005. The total cost of all programs and services was \$4,273,537. The net excess increased cash balances on hand by \$670,426 for Fiscal 2005.

The City had a slight increase in property tax rates for 2005. This resulted in a \$66,580 increase in property tax revenues.

The cost of all governmental activities this year was \$4,273,537 compared to \$4,886,896 last year. As shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was only \$1,565,302 because some of the cost was paid by those directly benefiting from the programs (\$676,383) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$898,519). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$1,103,538 in Debt Proceeds and other general receipts.

| City of Vinton   |                                    |                                    |
|--|------------------------------------|------------------------------------|
| Changes in Cash Basis Net Assets of Business Type Activities |                                    |                                    |
|  | Year Ended<br><u>June 30, 2005</u> | Year Ended<br><u>June 30, 2004</u> |
| Receipts:  |                                    |                                    |
| Program Receipts:  |                                    |                                    |
| Charges for service:   |                                    |                                    |
| Water Utility  | \$ 472,241                         | \$ 471,343                         |
| Wastewater Treatment   | 385,082                            | 383,128                            |
| General Receipts:  |                                    |                                    |
| Unrestricted Interest on Investments                         | 33,846                             | 24,917                             |
| Other General Receipts                                       | <u>10,924</u>                      | <u>44,189</u>                      |
| Total Receipts   | <u>902,093</u>                     | <u>923,577</u>                     |
| Disbursements and Transfers:                                 |                                    |                                    |
| Water Utility  | 278,415                            | 311,150                            |
| Wastewater Treatment   | 265,844                            | 321,629                            |
| Transfers  | <u>358,711</u>                     | <u>182,922</u>                     |
| Total Disbursements and Transfers                            | <u>902,970</u>                     | <u>815,701</u>                     |
| Increase in Cash Balance                                     | (877)                              | 107,876                            |
| Cash Basis Net Assets, Beginning of Year                     | <u>1,563,001</u>                   | <u>1,455,125</u>                   |
| Cash Basis Net Assets, End of Year                           | <u>\$ 1,562,124</u>                | <u>\$ 1,563,001</u>                |

# City of Vinton

## Management's Discussion and Analysis

Total business type activities receipts for the fiscal year were \$902,093 compared to \$923,577 last year. The cash balance decreased approximately \$877 from the prior year. Total disbursements and transfers for the fiscal year increased by 11% to a total of \$902,970 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 \$3,017,323, an increase of approximately \$670,426 above last year's total of \$2,346,897. 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 \$24,433 from the prior year to \$549,141.
- The County Home Sewer Extension Capital Project Fund was established to account for the County Home Sewer Project. At the end of the fiscal year, the cash balance was \$346,571. This fund was established through debt proceeds of \$343,020 to cover the project which had not yet started at year-end.
- The SE TIF Fund was established to account for major capital projects within the City's SE TIF District. The cash balance at the end of the fiscal year increased to \$328,889, primarily due to debt proceeds.
- 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 \$214,684, a decrease of \$14,714 from the previous year.

### INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Utility cash balance decreased by \$36,427 to \$372,625, due primarily to an increase in transfers to other funds.
- The Wastewater Treatment cash balance increased by \$35,550 to \$1,189,499, due to a decrease in current year Capital Outlay.

### BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 26, 2005. The City had sufficient cash balances to absorb these additional costs.

# City of Vinton

## Management's Discussion and Analysis

### DEBT ADMINISTRATION

At June 30, 2005, the City had approximately \$6,099,997 in bonds and other long-term debt, compared to approximately \$5,629,985 last year, as shown below:

| City of Vinton<br>Outstanding Debt at Year-End |              |              |
|--|--------------|--------------|
|  | June 30,     |              |
|  | 2005         | 2004         |
| General Obligation Bonds                       | \$ 5,145,000 | \$ 4,530,000 |
| 2002 Water Revenue Bonds                       | 35,000       | 37,000       |
| Water Revenue Bonds                            | 900,000      | 1,005,000    |
| Real Estate Contracts                          | 19,997       | 57,985       |
| Total  | \$ 6,099,997 | \$ 5,629,985 |

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 \$5,145,000 is below its constitutional debt limit of \$9,177,371.

### 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 2006 budget, tax rates, and fees that will be charged for various City activities.

For 2006, 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, 2005**

|  | Disbursements       | Charges<br>for Service | Program Receipts<br>Operating Grants,<br>Contributions<br>and Restricted<br>Interest | Capital Grants<br>Contributions<br>and Restricted<br>Interest |
|--|---------------------|------------------------|--|---|
| <b>Functions / Programs:</b>             |                     |                        |  |   |
| <b>Primary Government:</b>               |                     |                        |  |   |
| Governmental Activities:                 |                     |                        |  |   |
| Public Safety                            | \$ 623,284          | \$ 8,589               | \$ 29,370  | \$ -  |
| Public Works                             | 1,248,657           | 357,904                | 434,814  | -   |
| Health and Social Services               | 10,489              | -                      | -  | -   |
| Culture and Recreation                   | 780,496             | 308,650                | 42,776   | -   |
| Community and Economic Development       | 185,226             | 5                      | 134,182  | 239,400   |
| General Government                       | 360,937             | 1,235                  | 17,422   | -   |
| Debt Service                             | 752,455             | -                      | -  | -   |
| Capital Projects                         | 311,993             | -                      | -  | 555   |
| Total Governmental Activities            | 4,273,537           | 676,383                | 658,564  | 239,955   |
| Business Type Activities:                |                     |                        |  |   |
| Water Utility                            | 278,415             | 472,241                | -  | -   |
| Wastewater Treatment                     | 265,844             | 385,082                | -  | -   |
| Total Business Type Activities           | 544,259             | 857,323                | -  | -   |
| <b>Total Primary Government</b>          | <b>\$ 4,817,796</b> | <b>\$ 1,533,706</b>    | <b>\$ 658,564</b>  | <b>\$ 239,955</b>   |
| <b>Component Unit:</b>                   |                     |                        |  |   |
| Vinton Municipal Electric Utility        | \$ 2,654,596        | \$ 2,712,493           | \$ -   | \$ -  |
| <b>General Receipts:</b>                 |                     |                        |  |   |
| 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 |                     |                        |  |   |
| Cash Basis Net Assets, End of Year       |                     |                        |  |   |
| <b>Cash Basis Net Assets</b>             |                     |                        |  |   |
| 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<br>Activities | Business Type<br>Activities | Total               | Component<br>Unit   |
|----------------------------|-----------------------------|---------------------|---------------------|
| \$ (585,325)               | \$ -                        | \$ (585,325)        | \$ -                |
| (455,939)                  | -                           | (455,939)           | -                   |
| (10,489)                   | -                           | (10,489)            | -                   |
| (429,070)                  | -                           | (429,070)           | -                   |
| 188,361                    | -                           | 188,361             | -                   |
| (342,280)                  | -                           | (342,280)           | -                   |
| (752,455)                  | -                           | (752,455)           | -                   |
| (311,438)                  | -                           | (311,438)           | -                   |
| <u>(2,698,635)</u>         | <u>-</u>                    | <u>(2,698,635)</u>  | <u>-</u>            |
| -                          | 193,826                     | 193,826             | -                   |
| -                          | 119,238                     | 119,238             | -                   |
| <u>-</u>                   | <u>313,064</u>              | <u>313,064</u>      | <u>-</u>            |
| <u>(2,698,635)</u>         | <u>313,064</u>              | <u>(2,385,571)</u>  | <u>-</u>            |
| -                          | -                           | -                   | 57,897              |
| 814,361                    | -                           | 814,361             | -                   |
| 106,316                    | -                           | 106,316             | -                   |
| 83,949                     | -                           | 83,949              | -                   |
| 103,319                    | -                           | 103,319             | -                   |
| 448,375                    | -                           | 448,375             | -                   |
| 8,983                      | -                           | 8,983               | -                   |
| 43,186                     | -                           | 43,186              | -                   |
| 1,454                      | -                           | 1,454               | -                   |
| 65,730                     | 33,846                      | 99,576              | 72,371              |
| 937,180                    | -                           | 937,180             | -                   |
| 166,358                    | 10,924                      | 177,282             | -                   |
| 16,628                     | -                           | 16,628              | (22,410)            |
| 573,222                    | (358,711)                   | 214,511             | (184,948)           |
| <u>3,369,061</u>           | <u>(313,941)</u>            | <u>3,055,120</u>    | <u>(134,987)</u>    |
| 670,426                    | (877)                       | 669,549             | (77,090)            |
| 2,346,897                  | 1,563,001                   | 3,909,898           | 3,675,587           |
| <u>\$ 3,017,323</u>        | <u>\$ 1,562,124</u>         | <u>\$ 4,579,447</u> | <u>\$ 3,598,497</u> |
| \$ 339,142                 | \$ -                        | \$ 339,142          | \$ -                |
| 214,684                    | 280,066                     | 494,750             | -                   |
| 1,878,921                  | -                           | 1,878,921           | -                   |
| 584,576                    | 1,282,058                   | 1,866,634           | 3,598,497           |
| <u>\$ 3,017,323</u>        | <u>\$ 1,562,124</u>         | <u>\$ 4,579,447</u> | <u>\$ 3,598,497</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, 2005**

|  | General    | Capital    |
|--|------------|------------|
|  | General    | General    |
| <b>Receipts:</b>   |            |            |
| Property Tax   | \$ 814,361 | \$ -       |
| Tax Increment Financing Collections                        | -          | -          |
| Other City Tax   | 8,983      | -          |
| Licenses and Permits                                       | 43,186     | -          |
| Use of Money and Property                                  | 32,243     | 13,549     |
| Intergovernmental  | 445,876    | -          |
| Charges for Service  | 676,383    | -          |
| Miscellaneous  | 126,781    | 1,028      |
| Total Receipts   | 2,147,813  | 14,577     |
| <b>Disbursements:</b>                                      |            |            |
| Operating:   |            |            |
| Public Safety  | 623,284    | -          |
| Public Works   | 842,073    | -          |
| Health & Social Services                                   | 10,489     | -          |
| Culture and Recreation                                     | 780,496    | -          |
| Community and Economic Development                         | 185,226    | -          |
| General Government   | 313,619    | -          |
| Debt Service   | -          | -          |
| Capital Projects   | -          | 203,022    |
| Total Disbursements  | 2,755,187  | 203,022    |
| Excess (Deficiency) of Receipts over (under) Disbursements | (607,374)  | (188,445)  |
| <b>Other Financing Sources (Uses)</b>                      |            |            |
| Sale of Capital Assets                                     | 16,628     | -          |
| Debt Proceeds  | -          | 120,136    |
| Operating Transfers In                                     | 612,508    | 107,702    |
| Operating Transfers Out                                    | (46,194)   | -          |
| Total Other Financing Sources (Uses)                       | 582,942    | 227,838    |
| Net Change in Cash Balances                                | (24,432)   | 39,393     |
| Cash Balances, Beginning of Year                           | 573,574    | 807,953    |
| Cash Balances, End of Year                                 | \$ 549,142 | \$ 847,346 |
| <b>Cash Basis Fund Balances</b>                            |            |            |
| Reserved:  |            |            |
| Debt Service   | \$ -       | \$ -       |
| Unreserved:  |            |            |
| General Fund   | 549,142    | -          |
| Special Revenue Funds                                      | -          | -          |
| Capital Project Funds                                      | -          | 847,346    |
| Total Cash Basis Fund Balances                             | \$ 549,142 | \$ 847,346 |

**Exhibit B**

| Projects                    |                   | Other Nonmajor Governmental Funds |                   |                   |                     | Total |
|-----------------------------|-------------------|-----------------------------------|-------------------|-------------------|---------------------|-------|
| County Home Sewer Extension | SE TIF            | Road Use Tax                      | Debt Service      |                   |                     |       |
| \$ -                        | \$ -              | \$ -                              | \$ 423,912        | \$ 190,265        | \$ 1,428,538        |       |
| -                           | -                 | -                                 | -                 | 103,319           | 103,319             |       |
| -                           | -                 | -                                 | 24,463            | -                 | 33,446              |       |
| -                           | -                 | -                                 | -                 | -                 | 43,186              |       |
| 4,797                       | 4,633             | -                                 | 19,737            | 9,982             | 84,941              |       |
| -                           | -                 | 424,210                           | -                 | -                 | 870,086             |       |
| -                           | -                 | -                                 | -                 | -                 | 676,383             |       |
| -                           | -                 | -                                 | -                 | 285               | 128,094             |       |
| <u>4,797</u>                | <u>4,633</u>      | <u>424,210</u>                    | <u>468,112</u>    | <u>303,851</u>    | <u>3,367,993</u>    |       |
| -                           | -                 | -                                 | -                 | -                 | 623,284             |       |
| -                           | -                 | 406,584                           | -                 | -                 | 1,248,657           |       |
| -                           | -                 | -                                 | -                 | -                 | 10,489              |       |
| -                           | -                 | -                                 | -                 | -                 | 780,496             |       |
| -                           | -                 | -                                 | -                 | -                 | 185,226             |       |
| -                           | -                 | -                                 | -                 | -                 | 313,619             |       |
| -                           | -                 | -                                 | 752,455           | -                 | 752,455             |       |
| 1,246                       | 40,391            | -                                 | -                 | 67,334            | 311,993             |       |
| <u>1,246</u>                | <u>40,391</u>     | <u>406,584</u>                    | <u>752,455</u>    | <u>67,334</u>     | <u>4,226,219</u>    |       |
| <u>3,551</u>                | <u>(35,758)</u>   | <u>17,626</u>                     | <u>(284,343)</u>  | <u>236,517</u>    | <u>(858,226)</u>    |       |
| -                           | -                 | -                                 | -                 | -                 | 16,628              |       |
| 343,020                     | 336,065           | -                                 | 20,880            | 117,079           | 937,180             |       |
| -                           | 39,067            | -                                 | 248,749           | 1,833             | 1,009,859           |       |
| -                           | (10,773)          | (58,581)                          | -                 | (321,089)         | (436,637)           |       |
| <u>343,020</u>              | <u>364,359</u>    | <u>(58,581)</u>                   | <u>269,629</u>    | <u>(202,177)</u>  | <u>1,527,030</u>    |       |
| 346,571                     | 328,601           | (40,955)                          | (14,714)          | 34,340            | 668,804             |       |
| -                           | 288               | 163,532                           | 229,398           | 538,340           | 2,313,085           |       |
| <u>\$ 346,571</u>           | <u>\$ 328,889</u> | <u>\$ 122,577</u>                 | <u>\$ 214,684</u> | <u>\$ 572,680</u> | <u>\$ 2,981,889</u> |       |
| \$ -                        | \$ -              | \$ -                              | \$ 214,684        | \$ -              | \$ 214,684          |       |
| -                           | -                 | -                                 | -                 | -                 | 549,142             |       |
| -                           | -                 | 122,577                           | -                 | 216,565           | 339,142             |       |
| 346,571                     | 328,889           | -                                 | -                 | 356,115           | 1,878,921           |       |
| <u>\$ 346,571</u>           | <u>\$ 328,889</u> | <u>\$ 122,577</u>                 | <u>\$ 214,684</u> | <u>\$ 572,680</u> | <u>\$ 2,981,889</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, 2005**

**Total Governmental Funds Cash Balance (page 16)** \$ 2,981,889

*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.

35,434

**Cash Basis Net Assets of Governmental Activities (page 15)** \$ 3,017,323

**Net Change in Cash Balances (page 16)** \$ 668,804

*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.

1,622

**Change in Cash Balance of Governmental Activities (page 15)** \$ 670,426

**City of Vinton**  
**Statement of Cash Receipts, Disbursements and Changes in**  
**Cash Balances - Proprietary Funds**  
**As of and For the Year Ended June 30, 2005**

|   | Enterprise Funds  |                         |                     |
|---|-------------------|-------------------------|---------------------|
|   | Water<br>Utility  | Wastewater<br>Treatment | Total               |
| <b>Operating Receipts:</b>  |                   |                         |                     |
| Use of Money and Property   | \$ 10,910         | \$ 22,936               | \$ 33,846           |
| Intergovernmental   | -                 | 2,682                   | 2,682               |
| Charges for Service   | 472,241           | 385,082                 | 857,323             |
| Miscellaneous   | 7,736             | 506                     | 8,242               |
| Total Operating Receipts  | <u>490,887</u>    | <u>411,206</u>          | <u>902,093</u>      |
| <b>Operating Disbursements:</b>   |                   |                         |                     |
| Governmental Activities:  |                   |                         |                     |
| General Government  | -                 | -                       | -                   |
| Business Type Activities  | 278,415           | 265,844                 | 544,259             |
| Total Operating Disbursements   | <u>278,415</u>    | <u>265,844</u>          | <u>544,259</u>      |
| Excess (Deficiency) of Operating Receipts<br>Over (Under) Operating Disbursements | <u>212,472</u>    | <u>145,362</u>          | <u>357,834</u>      |
| <b>Other Financing Sources (Uses)</b>   |                   |                         |                     |
| Operating Transfers In  | 30,647            | 7,981                   | 38,628              |
| Operating Transfers Out   | (279,546)         | (117,793)               | (397,339)           |
| Total Other Financing Sources (Uses)  | (248,899)         | (109,812)               | (358,711)           |
| Net Change in Cash Balances   | (36,427)          | 35,550                  | (877)               |
| Cash Balances Beginning of Year   | 409,052           | 1,153,949               | 1,563,001           |
| Cash Balances End of Year   | <u>\$ 372,625</u> | <u>\$ 1,189,499</u>     | <u>\$ 1,562,124</u> |
| <b>Cash Basis Fund Balances</b>   |                   |                         |                     |
| Reserved for Debt Service   | \$ 280,066        | \$ -                    | \$ 280,066          |
| Unreserved  | 92,559            | 1,189,499               | 1,282,058           |
| Total Cash Basis Fund Balance   | <u>\$ 372,625</u> | <u>\$ 1,189,499</u>     | <u>\$ 1,562,124</u> |

| Internal Service Funds |                             |                  |
|------------------------|-----------------------------|------------------|
| <u>Revolving Fund</u>  | <u>Payroll<br/>Clearing</u> | <u>Total</u>     |
| \$ -                   | \$ -                        | \$ -             |
| -                      | -                           | -                |
| -                      | 2,192,681                   | 2,192,681        |
| <u>45,460</u>          | <u>-</u>                    | <u>45,460</u>    |
| <u>45,460</u>          | <u>2,192,681</u>            | <u>2,238,141</u> |
| 45,578                 | 2,190,941                   | 2,236,519        |
| <u>-</u>               | <u>-</u>                    | <u>-</u>         |
| <u>45,578</u>          | <u>2,190,941</u>            | <u>2,236,519</u> |
| <u>(118)</u>           | <u>1,740</u>                | <u>1,622</u>     |
| -                      | -                           | -                |
| <u>-</u>               | <u>-</u>                    | <u>-</u>         |
| -                      | -                           | -                |
| <u>(118)</u>           | <u>1,740</u>                | <u>1,622</u>     |
| <u>451</u>             | <u>33,361</u>               | <u>33,812</u>    |
| <u>\$ 333</u>          | <u>\$ 35,101</u>            | <u>\$ 35,434</u> |
| \$ -                   | \$ -                        | \$ -             |
| <u>333</u>             | <u>35,101</u>               | <u>35,434</u>    |
| <u>\$ 333</u>          | <u>\$ 35,101</u>            | <u>\$ 35,434</u> |

**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, 2005**

|   |                     |
|---|---------------------|
| <b>Total Enterprise Funds Cash Balance (page 18)</b>  | \$ 1,562,124        |
| <i>Amounts Reported for Business Type Activities in the<br/>Statement of Activities and Net Assets are different because:</i> |                     |
| None  | <u>-</u>            |
| <b>Cash Basis Net Assets of Business Type Activities (page 15)</b>  | <u>\$ 1,562,124</u> |
| <b>Net Change in Cash Balances (page 18)</b>  | \$ (877)            |
| <i>Amounts Reported for Business Type Activities in the<br/>Statement of Activities and Net Assets are different because:</i> |                     |
| None  | <u>-</u>            |
| <b>Change in Cash Balance of Business Type Activities (page 15)</b>   | <u>\$ (877)</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, 2005**

|  | <u>Agency<br/>Funds</u>  |
|--|--------------------------|
| <b>Receipts:</b>                       |                          |
| Use of Money and Property              | \$ 1,023                 |
| Deposits                               | 18,138                   |
| Miscellaneous                          | <u>11,295</u>            |
| Total Receipts                         | <u>30,456</u>            |
| <b>Disbursements:</b>                  |                          |
| Interest                               | 595                      |
| Refunds of Deposits                    | <u>22,797</u>            |
| Total Deductions                       | <u>23,392</u>            |
| <b>Other Financing Sources (Uses):</b> |                          |
| Transfers In                           | 21,925                   |
| Transfers Out                          | <u>(51,487)</u>          |
| Total Other Financing Sources (Uses)   | <u>(29,562)</u>          |
| Net Change in Cash Balances            | (22,498)                 |
| Cash Balances - Beginning of the Year  | <u>149,036</u>           |
| Cash Balances- End of the Year         | <u><u>\$ 126,538</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 County Home Sewer Extension (CIP) Fund is used to account for resources used a specific sewer improvement project in the city.

The SE TIF (CIP) Fund is used to account for resources used in the acquisition or construction of major capital facilities in the South Eastern Tax Increment Financing district.

#### Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

#### 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 Funds are 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, 2005, disbursements exceeded the amounts budgeted in the public works function.

# City of Vinton

## Notes to Financial Statements

### NOTE 2. Cash and Pooled Investments

The City's deposits in banks at June 30, 2005 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.

At June 30, 2005, the City had the following investments:

|  | <u>Carrying<br/>Amount</u> | <u>Fair Value</u>   | <u>Maturity</u>             |
|--|----------------------------|---------------------|-----------------------------|
| United States Series HH Bonds                            | <u>\$ 2,000</u>            | <u>\$ 2,000</u>     | Open                        |
| Cash and Cash Equivalents                                | <u>\$ 4,577,446</u>        | <u>\$ 4,577,446</u> | Varies through<br>June 2006 |
| Total Primary Government Net<br>Assets at June 30, 2005. | <u>\$ 4,579,446</u>        | <u>\$ 4,579,446</u> |                             |

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

# City of Vinton

## Notes to Financial Statements

### NOTE 3. Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and notes, revenue bonds and notes payable are as follows:

| Year<br>Ending<br>6-30 | General<br>Obligation<br>Bonds |                   | General<br>Obligation<br>Notes |                  | 1997<br>Water<br>Revenue<br>Bonds |                  | 2002<br>Water<br>Revenue<br>Bonds |                 |
|------------------------|--------------------------------|-------------------|--------------------------------|------------------|-----------------------------------|------------------|-----------------------------------|-----------------|
|                        | Principal                      | Interest          | Principal                      | Interest         | Principal                         | Interest         | Principal                         | Interest        |
| 2006                   | \$ 215,000                     | \$ 127,877        | \$ 210,000                     | \$ 96,246        | \$ 110,000                        | \$ 47,200        | \$ 2,000                          | \$ 1,050        |
| 2007                   | 220,000                        | 120,125           | 240,000                        | 75,448           | 115,000                           | 41,590           | 2,000                             | 990             |
| 2008                   | 235,000                        | 111,340           | 170,000                        | 68,548           | 120,000                           | 35,668           | 2,000                             | 930             |
| 2009                   | 240,000                        | 101,915           | 170,000                        | 64,353           | 125,000                           | 29,428           | 2,000                             | 870             |
| 2010                   | 240,000                        | 91,971            | 180,000                        | 59,733           | 135,000                           | 22,865           | 2,000                             | 810             |
| 2011                   | 140,000                        | 81,545            | 185,000                        | 54,248           | 145,000                           | 15,710           | 2,000                             | 750             |
| 2012                   | 150,000                        | 74,545            | 190,000                        | 48,235           | 150,000                           | 8,025            | 2,000                             | 690             |
| 2013                   | 155,000                        | 67,045            | 200,000                        | 41,725           | ----                              | ----             | 2,000                             | 630             |
| 2014                   | 165,000                        | 59,140            | 205,000                        | 34,578           | ----                              | ----             | 2,000                             | 570             |
| 2015                   | 175,000                        | 50,560            | 215,000                        | 26,993           | ----                              | ----             | 2,000                             | 510             |
| 2016                   | 180,000                        | 41,373            | 225,000                        | 18,823           | ----                              | ----             | 2,000                             | 450             |
| 2017                   | 190,000                        | 31,832            | 120,000                        | 10,048           | ----                              | ----             | 2,000                             | 390             |
| 2018                   | 200,000                        | 21,668            | 125,000                        | 5,188            | ----                              | ----             | 2,000                             | 330             |
| 2019                   | 205,000                        | 10,967            | ----                           | ----             | ----                              | ----             | 2,000                             | 270             |
| 2020                   | ----                           | ----              | ----                           | ----             | ----                              | ----             | 2,000                             | 210             |
| 2021                   | ----                           | ----              | ----                           | ----             | ----                              | ----             | 2,000                             | 150             |
| 2022                   | ----                           | ----              | ----                           | ----             | ----                              | ----             | 3,000                             | 90              |
| <b>Total</b>           | <b>\$ 2,710,000</b>            | <b>\$ 991,903</b> | <b>\$ 2,435,000</b>            | <b>\$604,161</b> | <b>\$ 900,000</b>                 | <b>\$200,486</b> | <b>\$ 35,000</b>                  | <b>\$ 9,690</b> |

| Year<br>Ending<br>6-30 | Real<br>Estate<br>Contract |               | Total              |                    |
|------------------------|----------------------------|---------------|--------------------|--------------------|
|                        | Principal                  | Interest      | Principal          | Interest           |
| 2006                   | \$ 19,997                  | \$ 700        | \$ 556,997         | \$ 273,073         |
| 2007                   | ----                       | ----          | 577,000            | 238,153            |
| 2008                   | ----                       | ----          | 527,000            | 216,486            |
| 2009                   | ----                       | ----          | 537,000            | 196,566            |
| 2010                   | ----                       | ----          | 557,000            | 175,379            |
| 2011                   | ----                       | ----          | 472,000            | 152,253            |
| 2012                   | ----                       | ----          | 492,000            | 131,495            |
| 2013                   | ----                       | ----          | 357,000            | 109,400            |
| 2014                   | ----                       | ----          | 372,000            | 94,288             |
| 2015                   | ----                       | ----          | 392,000            | 78,063             |
| 2016                   | ----                       | ----          | 407,000            | 60,646             |
| 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                 |
| <b>Total</b>           | <b>\$ 19,997</b>           | <b>\$ 700</b> | <b>\$6,099,997</b> | <b>\$1,806,945</b> |

# City of Vinton

## Notes to Financial Statements

### NOTE 3. Bonds and Notes Payable (Continued)

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.
- 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.

# City of Vinton

## Notes to Financial Statements

### NOTE 3. Bonds and Notes Payable (Continued)

- 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, 2005.

### NOTE 4. Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained 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 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.90%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City and its component unit's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$93,274, \$88,476 and \$88,145, respectively, which were equal to the required contributions for each year.

# City of Vinton

## Notes to Financial Statements

### NOTE 5. 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. 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:

| <b>Type of Benefit</b>    | <b>Amount</b>        |
|---------------------------|----------------------|
|                           | <b>June 30, 2005</b> |
| <b>Primary Government</b> |                      |
| Vacation                  | \$ 66,507            |
| Sick Leave                | 114,369              |
|                           | <u>\$ 180,876</u>    |
| <b>Component Unit</b>     |                      |
| Vacation                  | \$ 23,691            |
| Sick Leave                | 44,814               |
|                           | <u>\$ 68,505</u>     |

The liability has been computed based on rates of pay in effect at June 30, 2005.

# City of Vinton

## Notes to Financial Statements

### NOTE 6. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

| <b>Transfer To:</b>        | <b>Transfer From:</b>           | <b>Amount</b>     |
|----------------------------|---------------------------------|-------------------|
| General:                   | Permanent:                      |                   |
|                            | Tobin Trust                     | \$ 1,880          |
|                            | Capital Projects:               |                   |
|                            | SE TIF                          | 10,773            |
|                            | Special Revenue:                |                   |
|                            | Employee Benefits               | 190,265           |
|                            | Enterprise:                     |                   |
|                            | Electric Utility                | 203,601           |
|                            | Water Utility                   | 119,687           |
|                            | Wastewater Treatment            | <u>86,302</u>     |
|                            |                                 | <u>\$ 612,508</u> |
| Capital Projects:          |                                 |                   |
| Flood Mitigation           | Special Revenue:                |                   |
|                            | NW TIF                          | <u>1,833</u>      |
| SE TIF (CIP)               | Special Revenue:                |                   |
|                            | SE TIF                          | <u>39,067</u>     |
| General (CIP)              | General                         | 17,615            |
|                            | Enterprise:                     |                   |
|                            | Electric Utility                | 38,600            |
|                            | Fiduciary:                      |                   |
|                            | Fire Department Capital Reserve | <u>51,487</u>     |
|                            |                                 | <u>\$ 107,702</u> |
| Fiduciary:                 |                                 |                   |
| Fire Dept. Capital Reserve | General                         | <u>\$ 21,925</u>  |
| Debt Service               | Special Revenue:                |                   |
|                            | NW TIF                          | \$ 35,392         |
|                            | SE TIF                          | 39,542            |
|                            | Downtown #1 TIF                 | 13,110            |
|                            | Enterprise:                     |                   |
|                            | Water Utility                   | <u>160,705</u>    |
|                            |                                 | <u>\$ 248,749</u> |

# City of Vinton

## Notes to Financial Statements

### NOTE 6. 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:<br>Water Utility | Enterprise:<br>Wastewater Treatment | \$ 30,647           |
| Wastewater Treatment         | Special Revenue:<br>Road Use Tax    | 7,981               |
| Electric Utility             | Special Revenue:<br>Road Use Tax    | <u>57,244</u>       |
|                              |                                     | <u>\$ 95,872</u>    |
|                              | TOTAL                               | <u>\$ 1,127,656</u> |

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

### NOTE 7. Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2005, disbursements in the Public Works function exceeded the amounts budgeted.

### NOTE 8. 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 \$1,474,000 was outstanding at June 30, 2005. 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.

# City of Vinton

## Notes to Financial Statements

### **NOTE 9. Interfund Loans**

During the year ended June 30, 2000, the Utility transferred \$50,000 to the City of Vinton to help finance the purchase of emergency sirens. Of this amount, \$20,000 was forgiven by the Utility and was treated as an operating transfer. The City paid the note in full during the fiscal year ended June 30, 2005.

During the year ended June 30, 2003, the Utility transferred \$253,000 to the City of Vinton to finance the building of a street garage. The City made repayments of \$50,600 during the year resulting in a note payable balance of \$164,450 at June 30, 2005.

During the year ended June 30, 2004, the Utility transferred \$53,275 to the City of Vinton to help finance park and recreation improvements. The City paid the note in full during the fiscal year ended June 30, 2005.

During the year ended June 30, 2004, the Utility transferred \$38,600 to the City of Vinton to help finance the water slide construction. The Utility received repayments of \$33,578 during the year resulting in a note receivable balance of \$5,022 at June 30, 2005.

### **NOTE 10. Related Party Transactions**

The City had business transactions between the City and City officials or businesses owned by City officials totaling \$5,095 during the year ended June 30, 2005.

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, 2005, the component unit purchased wholesale electric power totaling \$1,488,720 from RPGI and sold excess capacity and energy totaling \$44,672 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, 2005, the City was committed to approximately \$669,714 of construction and other contracts and equipment.

Under wholesale power agreements, the component unit has contracted to purchase its electric power and energy requirements from RPGI (supplied by AmerenEnergy Marketing) through December 31, 2008.

The City entered into a contract with the Iowa Department of Natural Resources subsequent to year-end. The City received funds of \$4,750 which are considered to be a 0% interest loan. Over the course of the contact the City will receive an additional \$20,000, which will be considered a forgivable loan if specific requirements are met.

**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, 2005**

|   | Governmental<br>Funds<br>Actual | Proprietary<br>Funds<br>Actual | Less<br>Funds not<br>Required to<br>be Budgeted |
|---|---------------------------------|--------------------------------|---|
| <b>Receipts:</b>  |                                 |                                |   |
| Property Tax  | \$ 1,428,538                    | \$ -                           | \$ -  |
| Tax Increment Financing Collections   | 103,319                         | -                              | -   |
| Other City Tax  | 33,446                          | -                              | -   |
| Licenses and Permits  | 43,186                          | -                              | -   |
| Use of Money and Property   | 84,941                          | 33,846                         | -   |
| Intergovernmental   | 870,086                         | 2,682                          | -   |
| Charges for Service   | 676,383                         | 3,050,004                      | 2,192,681                                       |
| Miscellaneous   | 128,094                         | 53,702                         | 45,460  |
| Total Receipts  | <u>3,367,993</u>                | <u>3,140,234</u>               | <u>2,238,141</u>                                |
| <b>Disbursements:</b>   |                                 |                                |   |
| Public Safety   | 623,284                         | -                              | -   |
| Public Works  | 1,248,657                       | -                              | -   |
| Health & Social Services  | 10,489                          | -                              | -   |
| Culture and Recreation  | 780,496                         | -                              | -   |
| Community and Economic Development  | 185,226                         | -                              | -   |
| General Government  | 313,619                         | 2,236,519                      | 2,236,519                                       |
| Debt Service  | 752,455                         | -                              | -   |
| Capital Projects  | 311,993                         | -                              | -   |
| Business Type Activities  | -                               | 544,259                        | -   |
| Total Disbursements   | <u>4,226,219</u>                | <u>2,780,778</u>               | <u>2,236,519</u>                                |
| Excess of Receipts over Disbursements   | (858,226)                       | 359,456                        | 1,622   |
| Other Financing Sources, Net  | 1,527,030                       | (358,711)                      | -   |
| Excess of Receipts and Other Financing Sources<br>over Disbursements and Other Financing Uses | 668,804                         | 745                            | 1,622   |
| Balances, Beginning of Year   | <u>2,313,085</u>                | <u>1,596,813</u>               | <u>33,812</u>                                   |
| Balances, End of Year   | <u>\$ 2,981,889</u>             | <u>\$ 1,597,558</u>            | <u>\$ 35,434</u>                                |

| Net                 | Budgeted Amounts    |                     | Final to<br>Net<br>Variance |
|---------------------|---------------------|---------------------|-----------------------------|
|                     | Original            | Final               |                             |
| \$ 1,428,538        | \$ 1,392,833        | \$ 1,392,833        | \$ 35,705                   |
| 103,319             | 523,884             | 523,884             | (420,565)                   |
| 33,446              | 38,760              | 38,760              | (5,314)                     |
| 43,186              | 13,590              | 13,590              | 29,596                      |
| 118,787             | 117,790             | 117,790             | 997                         |
| 872,768             | 1,571,208           | 1,571,208           | (698,440)                   |
| 1,533,706           | 3,822,615           | 3,822,615           | (2,288,909)                 |
| 136,336             | 72,900              | 72,900              | 63,436                      |
| <u>4,270,086</u>    | <u>7,553,580</u>    | <u>7,553,580</u>    | <u>(3,283,494)</u>          |
| 623,284             | 635,695             | 635,695             | 12,411                      |
| 1,248,657           | 948,949             | 948,949             | (299,708)                   |
| 10,489              | 11,350              | 11,350              | 861                         |
| 780,496             | 746,107             | 826,107             | 45,611                      |
| 185,226             | 391,070             | 391,070             | 205,844                     |
| 313,619             | 317,854             | 317,854             | 4,235                       |
| 752,455             | 707,455             | 752,455             | -                           |
| 311,993             | 2,667,124           | 2,667,124           | 2,355,131                   |
| 544,259             | 4,649,094           | 4,649,094           | 4,104,835                   |
| <u>4,770,478</u>    | <u>11,074,698</u>   | <u>11,199,698</u>   | <u>6,429,220</u>            |
| (500,392)           | (3,521,118)         | (3,646,118)         | 3,145,726                   |
| <u>1,168,319</u>    | <u>826,941</u>      | <u>826,941</u>      | <u>341,378</u>              |
| 667,927             | (2,694,177)         | (2,819,177)         | 3,487,104                   |
| <u>3,876,086</u>    | <u>7,151,152</u>    | <u>7,151,152</u>    | <u>(3,275,066)</u>          |
| <u>\$ 4,544,013</u> | <u>\$ 4,456,975</u> | <u>\$ 4,331,975</u> | <u>\$ 212,038</u>           |

See Accompanying Independent Auditor's Report

## **Required Supplementary Information**

## **City of Vinton**

### **Notes to Required Supplementary Information – Budgetary Reporting**

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds 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 disbursements by \$125,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the public works function.

## **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, 2005**

|   | Special Revenue |           |          |
|---|-----------------|-----------|----------|
|   | NW TIF          | SE TIF    | SW TIF   |
| <b>Receipts:</b>  |                 |           |          |
| Property Tax  | \$ -            | \$ -      | \$ -     |
| Tax Increment Financing Collections                           | 36,109          | 42,328    | -        |
| Use of Money and Property                                     | 1,267           | 570       | 56       |
| Miscellaneous   | -               | -         | -        |
| Total Receipts  | 37,376          | 42,898    | 56       |
| <b>Disbursements:</b>   |                 |           |          |
| Capital Projects  | -               | -         | -        |
| Total Disbursements   | -               | -         | -        |
| Excess (Deficiency) of Receipts Over<br>(Under) Disbursements | 37,376          | 42,898    | 56       |
| <b>Other Financing Sources (Uses):</b>                        |                 |           |          |
| Debt Proceeds   | -               | -         | -        |
| Operating Transfers In  | -               | -         | -        |
| Operating Transfers Out                                       | (37,225)        | (78,609)  | -        |
| Total Other Financing Sources (Uses)                          | (37,225)        | (78,609)  | -        |
| Net Change in Cash Balances                                   | 151             | (35,711)  | 56       |
| Cash Balances, Beginning of Year                              | 66,786          | 56,233    | 3,324    |
| Cash Balances, End of Year                                    | \$ 66,937       | \$ 20,522 | \$ 3,380 |
| <b>Cash Basis Fund Balances</b>                               |                 |           |          |
| Unreserved:   |                 |           |          |
| Special Revenue Funds   | \$ 66,937       | \$ 20,522 | \$ 3,380 |
| Capital Project Fund  | -               | -         | -        |
| Total Cash Basis Fund Balance                                 | \$ 66,937       | \$ 20,522 | \$ 3,380 |

Schedule 1

|                    |                  |                      | Permanent         |
|--------------------|------------------|----------------------|-------------------|
| Downtown<br>#1 TIF | West #2 TIF      | Employee<br>Benefits | Tobin<br>Trust    |
| \$ -               | \$ -             | \$ 190,265           | \$ -              |
| 16,420             | 8,462            | -                    | -                 |
| 179                | 110              | -                    | 1,880             |
| -                  | -                | -                    | -                 |
| <u>16,599</u>      | <u>8,572</u>     | <u>190,265</u>       | <u>1,880</u>      |
| -                  | -                | -                    | -                 |
| -                  | -                | -                    | -                 |
| <u>16,599</u>      | <u>8,572</u>     | <u>190,265</u>       | <u>1,880</u>      |
| -                  | -                | -                    | -                 |
| -                  | -                | -                    | -                 |
| <u>(13,110)</u>    | <u>-</u>         | <u>(190,265)</u>     | <u>(1,880)</u>    |
| (13,110)           | -                | (190,265)            | (1,880)           |
| 3,489              | 8,572            | -                    | -                 |
| 10,174             | 3,491            | -                    | 100,000           |
| <u>\$ 13,663</u>   | <u>\$ 12,063</u> | <u>\$ -</u>          | <u>\$ 100,000</u> |
| \$ 13,663          | \$ 12,063        | \$ -                 | \$ 100,000        |
| -                  | -                | -                    | -                 |
| <u>\$ 13,663</u>   | <u>\$ 12,063</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, 2005**

|   | Capital Projects |                |          |
|---|------------------|----------------|----------|
|   | TEA 21           | West<br>TIF #2 | NW TIF   |
| <b>Receipts:</b>  |                  |                |          |
| Property Tax  | \$ -             | \$ -           | \$ -     |
| Tax Increment Financing Collections                           | -                | -              | -        |
| Use of Money and Property                                     | 3,200            | -              | 128      |
| Miscellaneous   | -                | -              | -        |
| Total Receipts  | 3,200            | -              | 128      |
| <b>Disbursements:</b>   |                  |                |          |
| Capital Projects  | 48,727           | 501            | 76       |
| Total Disbursements   | 48,727           | 501            | 76       |
| Excess (Deficiency) of Receipts Over<br>(Under) Disbursements | (45,527)         | (501)          | 52       |
| <b>Other Financing Sources (Uses):</b>                        |                  |                |          |
| Debt Proceeds   | -                | -              | -        |
| Operating Transfers In  | -                | -              | -        |
| Operating Transfers Out                                       | -                | -              | -        |
| Total Other Financing Sources (Uses)                          | -                | -              | -        |
| Net Change in Cash Balances                                   | (45,527)         | (501)          | 52       |
| Cash Balances, Beginning of Year                              | 206,843          | 1,741          | 7,642    |
| Cash Balances, End of Year                                    | \$ 161,316       | \$ 1,240       | \$ 7,694 |
| <b>Cash Basis Fund Balances</b>                               |                  |                |          |
| Unreserved:   |                  |                |          |
| Special Revenue Funds   | \$ -             | \$ -           | \$ -     |
| Capital Project Fund  | 161,316          | 1,240          | 7,694    |
| Total Cash Basis Fund Balance                                 | \$ 161,316       | \$ 1,240       | \$ 7,694 |

| <u>SW TIF</u>     | <u>Flood Mitigation</u> | <u>Sidewalk Fund</u> | <u>Downtown Improvements</u> | <u>Total</u>      |
|-------------------|-------------------------|----------------------|------------------------------|-------------------|
| \$ -              | \$ -                    | \$ -                 | \$ -                         | \$ 190,265        |
| -                 | -                       | -                    | -                            | 103,319           |
| 1,408             | -                       | 673                  | 511                          | 9,982             |
| -                 | -                       | -                    | 285                          | 285               |
| <u>1,408</u>      | <u>-</u>                | <u>673</u>           | <u>796</u>                   | <u>303,851</u>    |
| <br>              |                         |                      |                              |                   |
| <u>6,296</u>      | <u>1,833</u>            | <u>9,104</u>         | <u>797</u>                   | <u>67,334</u>     |
| <u>6,296</u>      | <u>1,833</u>            | <u>9,104</u>         | <u>797</u>                   | <u>67,334</u>     |
| <br>              |                         |                      |                              |                   |
| <u>(4,888)</u>    | <u>(1,833)</u>          | <u>(8,431)</u>       | <u>(1)</u>                   | <u>236,517</u>    |
| <br>              |                         |                      |                              |                   |
| 117,079           | -                       | -                    | -                            | 117,079           |
| -                 | 1,833                   | -                    | -                            | 1,833             |
| -                 | -                       | -                    | -                            | (321,089)         |
| <u>117,079</u>    | <u>1,833</u>            | <u>-</u>             | <u>-</u>                     | <u>(202,177)</u>  |
| 112,191           | -                       | (8,431)              | (1)                          | 34,340            |
| 134               | -                       | 50,308               | 31,664                       | 538,340           |
| <u>\$ 112,325</u> | <u>\$ -</u>             | <u>\$ 41,877</u>     | <u>\$ 31,663</u>             | <u>\$ 572,680</u> |
| <br>              |                         |                      |                              |                   |
| \$ -              | \$ -                    | \$ -                 | \$ -                         | \$ 216,565        |
| <u>112,325</u>    | <u>-</u>                | <u>41,877</u>        | <u>31,663</u>                | <u>356,115</u>    |
| <u>\$ 112,325</u> | <u>\$ -</u>             | <u>\$ 41,877</u>     | <u>\$ 31,663</u>             | <u>\$ 572,680</u> |

See Accompanying Independent Auditor's Report

**City of Vinton  
Schedule of Indebtedness  
Year Ended June 30, 2005**

| <b><i>BONDED INDEBTEDNESS</i></b>             | <u>Date Issued</u> | <u>Interest Rates</u> | <u>Amount Originally Issued</u> |
|---|--------------------|-----------------------|---------------------------------|
| <b>General Obligation Bonds</b>               |                    |                       |                                 |
| General Corporate Purpose                     | August 1, 1999     | 4.900 - 5.35%         | \$ 2,585,000                    |
| General Obligation Series 2004                | May 1, 2004        | 2.000 - 3.50%         | 635,000                         |
| Total General Obligation Bonds                |                    |                       |                                 |
| <b>General Obligation Notes</b>               |                    |                       |                                 |
| Library Refunding Series 2001                 | May 1, 2001        | 3.800 - 4.25%         | 405,000                         |
| General Corporate Purpose                     | November 1, 2003   | 1.250 - 4.15%         | 1,390,000                       |
| General Corporate Purpose Series 2004         | December 1, 2004   | 2.200 - 3.90%         | 940,000                         |
| Total General Obligation Bonds                |                    |                       |                                 |
| <b>Water Revenue Bond</b>                     | May 1, 1997        | 5.000 - 5.35%         | \$ 1,590,000                    |
| <b>Water Revenue Bond</b>                     | October 8, 2002    | 3.00%                 | \$ 40,000                       |
| <b>Nonbonded Indebtedness</b>                 |                    |                       |                                 |
| Real Estate Contract -<br>Roller-Skating Rink | August 27, 1999    | 7.00%                 | \$ 250,000                      |

Schedule 2

| <u>Balance<br/>Beginning<br/>of Year</u> | <u>Issued<br/>During<br/>Year</u> | <u>Redeemed<br/>During<br/>Year</u> | <u>Balance<br/>End of<br/>Year</u> | <u>Interest<br/>Paid</u> | <u>Interest<br/>Due and<br/>Unpaid</u> |
|--|-----------------------------------|-------------------------------------|------------------------------------|--------------------------|--|
| \$ 2,280,000                             | \$ -                              | \$ 105,000                          | \$ 2,175,000                       | \$ 116,960               | \$ -                                   |
| 635,000                                  | -                                 | 100,000                             | 535,000                            | 19,568                   | -                                      |
| <u>\$ 2,915,000</u>                      | <u>\$ -</u>                       | <u>\$ 205,000</u>                   | <u>\$ 2,710,000</u>                | <u>\$ 136,528</u>        | <u>\$ -</u>                            |
| 225,000                                  | -                                 | 70,000                              | 155,000                            | 9,420                    | -                                      |
| 1,390,000                                | -                                 | 50,000                              | 1,340,000                          | 70,458                   | -                                      |
| -  | 940,000                           | -                                   | 940,000                            | -                        | -                                      |
| <u>\$ 1,615,000</u>                      | <u>\$ 940,000</u>                 | <u>\$ 120,000</u>                   | <u>\$ 2,435,000</u>                | <u>\$ 79,878</u>         | <u>\$ -</u>                            |
| <u>\$ 1,005,000</u>                      | <u>\$ -</u>                       | <u>\$ 105,000</u>                   | <u>\$ 900,000</u>                  | <u>\$ 52,503</u>         | <u>\$ -</u>                            |
| <u>\$ 37,000</u>                         | <u>\$ -</u>                       | <u>\$ 2,000</u>                     | <u>\$ 35,000</u>                   | <u>\$ 1,110</u>          | <u>\$ -</u>                            |
| <u>\$ 57,985</u>                         | <u>\$ -</u>                       | <u>\$ 37,988</u>                    | <u>\$ 19,997</u>                   | <u>\$ 3,406</u>          | <u>\$ -</u>                            |

See Accompanying Independent Auditor's Report

**City of Vinton**  
**Schedule of Bond and Note Maturities**  
**Year Ended June 30, 2005**

| Year<br>Ending<br>June 30, | General Obligation Bonds                  |                   |                                       |                     | Revenue Bond           |                   |                         |                  |
|----------------------------|---|-------------------|---------------------------------------|---------------------|------------------------|-------------------|-------------------------|------------------|
|                            | Refunding<br>Series 2004<br>Issued 5/1/04 |                   | Corporate<br>Purpose<br>Issued 8/1/99 |                     | Water<br>Issued 5/1/97 |                   | Water<br>Issued 10/8/02 |                  |
|                            | Interest<br>Rates                         | Amount            | Interest<br>Rates                     | Amount              | Interest<br>Rates      | Amount            | Interest<br>Rates       | Amount           |
| 2006                       | 2.25%                                     | \$ 105,000        | 4.90%                                 | \$ 110,000          | 5.10%                  | \$ 110,000        | 3.00%                   | \$ 2,000         |
| 2007                       | 3.00%                                     | 105,000           | 4.90%                                 | 115,000             | 5.15%                  | 115,000           | 3.00%                   | 2,000            |
| 2008                       | 3.00%                                     | 110,000           | 4.90%                                 | 125,000             | 5.20%                  | 120,000           | 3.00%                   | 2,000            |
| 2009                       | 3.25%                                     | 110,000           | 4.90%                                 | 130,000             | 5.25%                  | 125,000           | 3.00%                   | 2,000            |
| 2010                       | 3.50%                                     | 105,000           | 5.00%                                 | 135,000             | 5.30%                  | 135,000           | 3.00%                   | 2,000            |
| 2011                       | -   | -                 | 5.00%                                 | 140,000             | 5.30%                  | 145,000           | 3.00%                   | 2,000            |
| 2012                       | -   | -                 | 5.00%                                 | 150,000             | 5.35%                  | 150,000           | 3.00%                   | 2,000            |
| 2013                       | -   | -                 | 5.10%                                 | 155,000             | -                      | -                 | 3.00%                   | 2,000            |
| 2014                       | -   | -                 | 5.20%                                 | 165,000             | -                      | -                 | 3.00%                   | 2,000            |
| 2015                       | -   | -                 | 5.25%                                 | 175,000             | -                      | -                 | 3.00%                   | 2,000            |
| 2016                       | -   | -                 | 5.30%                                 | 180,000             | -                      | -                 | 3.00%                   | 2,000            |
| 2017                       | -   | -                 | 5.35%                                 | 190,000             | -                      | -                 | 3.00%                   | 2,000            |
| 2018                       | -   | -                 | 5.35%                                 | 200,000             | -                      | -                 | 3.00%                   | 2,000            |
| 2019                       | -   | -                 | 5.35%                                 | 205,000             | -                      | -                 | 3.00%                   | 2,000            |
| 2020                       | -   | -                 | -                                     | -                   | -                      | -                 | 3.00%                   | 2,000            |
| 2021                       | -   | -                 | -                                     | -                   | -                      | -                 | 3.00%                   | 2,000            |
| 2022                       | -   | -                 | -                                     | -                   | -                      | -                 | 3.00%                   | 3,000            |
| Total                      |   | <u>\$ 535,000</u> |                                       | <u>\$ 2,175,000</u> |                        | <u>\$ 900,000</u> |                         | <u>\$ 35,000</u> |

**Real Estate Contract**

**Roller-Skating Rink**  
**Issued 8/27/99**

| Year<br>Ending<br>June 30, | Interest<br>Rates | Amount           |
|----------------------------|-------------------|------------------|
| 2006                       | 7.00%             | \$ 19,997        |
| 2007                       | -                 | -                |
| 2008                       | -                 | -                |
| 2009                       | -                 | -                |
| 2010                       | -                 | -                |
| 2011                       | -                 | -                |
| 2012                       | -                 | -                |
| 2013                       | -                 | -                |
| 2014                       | -                 | -                |
| 2015                       | -                 | -                |
| 2016                       | -                 | -                |
| 2017                       | -                 | -                |
| 2018                       | -                 | -                |
| 2019                       | -                 | -                |
| 2020                       | -                 | -                |
| 2021                       | -                 | -                |
| 2022                       | -                 | -                |
| Total                      |                   | <u>\$ 19,997</u> |

See Accompanying Independent Auditor's Report

**City of Vinton**  
**Schedule of Bond and Note Maturities (Continued)**  
**Year Ended June 30, 2005**

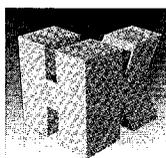
| Year<br>Ending<br>June 30, | General Obligation Notes               |                     |  |                   |   |                   | General<br>Obligation<br>Notes<br><br>Total |
|----------------------------|--|---------------------|--|-------------------|---|-------------------|---|
|                            | Corporate<br>Purpose<br>Issued 11/1/03 |                     | Corporate<br>Purpose<br>Issued 12/1/04 |                   | Library<br>Refunding Issue<br>Issued 5/1/01 |                   |   |
|                            | Interest<br>Rates                      | Amount              | Interest<br>Rates                      | Amount            | Interest<br>Rates                           | Amount            |   |
| 2006                       | 1.50%                                  | \$ 85,000           | 2.20%                                  | \$ 50,000         | 4.20%                                       | \$ 75,000         | \$ 210,000                                  |
| 2007                       | 2.00%                                  | 85,000              | 2.40%                                  | 75,000            | 4.25%                                       | 80,000            | 240,000                                     |
| 2008                       | 2.35%                                  | 90,000              | 2.60%                                  | 80,000            | -   | -                 | 170,000                                     |
| 2009                       | 2.60%                                  | 90,000              | 2.85%                                  | 80,000            | -   | -                 | 170,000                                     |
| 2010                       | 3.00%                                  | 95,000              | 3.10%                                  | 85,000            | -   | -                 | 180,000                                     |
| 2011                       | 3.25%                                  | 100,000             | 3.25%                                  | 85,000            | -   | -                 | 185,000                                     |
| 2012                       | 3.45%                                  | 100,000             | 3.40%                                  | 90,000            | -   | -                 | 190,000                                     |
| 2013                       | 3.55%                                  | 105,000             | 3.60%                                  | 95,000            | -   | -                 | 200,000                                     |
| 2014                       | 3.70%                                  | 110,000             | 3.70%                                  | 95,000            | -   | -                 | 205,000                                     |
| 2015                       | 3.80%                                  | 115,000             | 3.80%                                  | 100,000           | -   | -                 | 215,000                                     |
| 2016                       | 3.90%                                  | 120,000             | 3.90%                                  | 105,000           | -   | -                 | 225,000                                     |
| 2017                       | 4.05%                                  | 120,000             | -                                      | -                 | -   | -                 | 120,000                                     |
| 2018                       | 4.15%                                  | 125,000             | -                                      | -                 | -   | -                 | 125,000                                     |
| 2019                       | -                                      | -                   | -                                      | -                 | -   | -                 | -   |
| 2020                       | -                                      | -                   | -                                      | -                 | -   | -                 | -   |
| 2021                       | -                                      | -                   | -                                      | -                 | -   | -                 | -   |
| 2022                       | -                                      | -                   | -                                      | -                 | -   | -                 | -   |
| Total                      |  | <u>\$ 1,340,000</u> |  | <u>\$ 940,000</u> |   | <u>\$ 155,000</u> | <u>\$ 2,435,000</u>                         |

| Year<br>Ending<br>June 30, | Total<br>Maturities |
|----------------------------|---------------------|
| 2006                       | \$ 556,997          |
| 2007                       | 577,000             |
| 2008                       | 527,000             |
| 2009                       | 537,000             |
| 2010                       | 557,000             |
| 2011                       | 472,000             |
| 2012                       | 492,000             |
| 2013                       | 357,000             |
| 2014                       | 372,000             |
| 2015                       | 392,000             |
| 2016                       | 407,000             |
| 2017                       | 312,000             |
| 2018                       | 327,000             |
| 2019                       | 207,000             |
| 2020                       | 2,000               |
| 2021                       | 2,000               |
| 2022                       | 3,000               |
| Total                      | <u>\$ 6,099,997</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>2005</u>         | <u>2004</u>         | <u>2003</u>         | <u>2002</u>         |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Receipts:</b>                    |                     |                     |                     |                     |
| Property Tax                        | \$ 1,428,538        | \$ 1,176,514        | \$ 1,193,322        | \$ 1,167,469        |
| Tax Increment Financing Collections | 103,319             | 286,325             | 362,817             | 316,520             |
| Other City Tax                      | 33,446              | 35,883              | 5,690               | 2,405               |
| Licenses and Permits                | 43,186              | 30,544              | 28,876              | 27,675              |
| Use of Money and Property           | 84,941              | 54,364              | 65,198              | 109,582             |
| Intergovernmental                   | 870,086             | 661,409             | 618,648             | 882,443             |
| Charges for Services                | 676,383             | 871,064             | 397,436             | 374,177             |
| Miscellaneous                       | 128,094             | 221,228             | 224,737             | 196,196             |
| Total                               | <u>\$ 3,367,993</u> | <u>\$ 3,337,331</u> | <u>\$ 2,896,724</u> | <u>\$ 3,076,467</u> |
| <b>Disbursements:</b>               |                     |                     |                     |                     |
| Operating:                          |                     |                     |                     |                     |
| Public Safety                       | \$ 623,284          | \$ 593,137          | \$ 577,930          | \$ 568,070          |
| Public Works                        | 1,248,657           | 804,914             | 641,163             | 977,872             |
| Health & Social Services            | 10,489              | 11,329              | -                   | -                   |
| Culture and Recreation              | 780,496             | 898,418             | 727,448             | 655,581             |
| Community and Economic Development  | 185,226             | 151,740             | 34,391              | -                   |
| General Government                  | 313,619             | 302,776             | 287,959             | 276,125             |
| Debt Service                        | 752,455             | 1,298,258           | 749,095             | 838,219             |
| Capital Projects                    | 311,993             | 804,941             | 649,346             | 681,039             |
| Total                               | <u>\$ 4,226,219</u> | <u>\$ 4,865,513</u> | <u>\$ 3,667,332</u> | <u>\$ 3,996,906</u> |



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

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

To the Honorable Mayor and  
Members of the City Council  
City of Vinton  
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, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated August 24, 2005. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with another comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of 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 Findings and Questioned Costs.

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-05 to be a material weakness.

### **Compliance and Other Matters**

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 Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005, 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.

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.



Dubuque, Iowa  
August 24, 2005

**City of Vinton**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2005**

**Part I. Findings Related to the Financial Statements**

**Instances of Non Compliance:**

No matters were noted.

**Reportable Conditions:**

I-A-05. **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-05. **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 Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2005**

**Part II. Other Findings Related to Required Statutory Reporting**

II-A-05. **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, 2005.

II-B-05. **Certified Budget**: Disbursements during the year ended June 30, 2005 exceeded the amount budgeted in the Public Works 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. In the future expenditures for the airport should be budgeted under the Public Works function rather than the Business Type Activity function.

**Response**: The budget will be amended in the future, if applicable, and airport disbursements will be budgeted under the appropriate function.

**Conclusion**: Response accepted.

II-C-05. **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-05. **Travel Expense**: No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**City of Vinton**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2005**

II-E-05. **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<br>Council Member, Owner of Elwick Electric  | Parts and Supplies             | \$ 1,920      |
| Three Rivers Insurance<br>Lisa Vermedahl, Council Member, Husband is<br>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-05. **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-05. **Council Minutes**: No transactions were found that we believe should have been approved in the Council minutes that were not.

II-H-05. **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-05. **Revenue Notes**: The City appears to be in compliance with note resolutions.

II-J-05. **Financial Condition**: The City appears to be in compliance with required financial conditions.

II-K-05. **Annual Financial Report**: The 2005 Annual Financial Report submitted to the State does not accurately reflect the activity recorded in the City's financial records.

**Recommendation**: The Annual Financial Report should accurately reflect the activity recorded in the City's financial records. To verify accuracy, the annual reports should be compared to the audit report.