

*Financial Statements*

***Vinton Municipal Electric Utility***

***June 30, 2005 and 2004***

## ***Table of Contents***

***Page(s)***

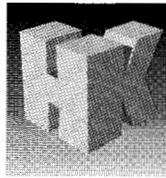
---

<b>List of Officials</b>	1
<b>Independent Auditor's Report</b>	2 – 3
Management's Discussion and Analysis	4 – 8
<b>Basic Financial Statements</b>	
Statements of Net Assets	9
Statements of Revenues, Expenses and Changes in Net Assets	10
Statements of Cash Flows	11 – 12
Notes to the Financial Statements	13 – 21
<b>Supplementary Information</b>	
Capital Assets and Accumulated Depreciation	22 – 23
Operating Expenses	24
<b>Statistical Information</b>	
Generation Statistics	25
Operating Cost Analysis	26
<b>Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters</b>	27 – 28
<b>Schedule of Findings and Statutory Reporting</b>	29 – 30

# Vinton Municipal Electric Utility

## List of Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jon Kremer	Chairman	December 2005
Alan Woodhouse	Trustee	December 2009
Michael Elwick	Trustee	December 2007
Cindy Michael	Secretary	Indefinite



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

## Independent Auditor's Report

Board of Trustees  
Vinton Municipal Electric Utility  
Vinton, Iowa

We have audited the accompanying statements of net assets of the Vinton Municipal Electric Utility (Utility), a component unit of the City of Vinton, Iowa, as of and for the years ended June 30, 2005 and 2004 and the related statements of revenue, expenses, and changes in net assets, and statements of cash flows. These financial statements are the responsibility of Utility's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vinton Municipal Electric Utility (Utility), a component unit of the City of Vinton, Iowa at June 30, 2005 and 2004, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2005, on our consideration of Vinton Municipal Electric Utility's (Utility), a component unit of the City of Vinton, Iowa, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included on pages 22 through 24 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for the information on pages 25 and 26 which is marked "Unaudited" and upon which we express no opinion, has been subjected to the auditing procedures applied in our audits of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Horst Kamp Huges & Co.*

Dubuque, Iowa  
August 24, 2005

# Vinton Municipal Electric Utility Management's Discussion and Analysis

The Vinton Municipal Electric Utility 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 Electric Utility's financial statements, which follow.

## 2005 FINANCIAL HIGHLIGHTS

Failure of Generator #7 in early July of 2004 resulted in the loss of generation capacity available for RPGI accreditation. Generator #7 is a 3600 kilowatt generator and Vinton Municipal Electric Utility receives \$3.00 per kilowatt per month for the generation capacity of Generator #7. The resulting loss from the failure of Generator #7 was \$10,800 per month. In January of 2005 the rate paid to Vinton Municipal Electric Utility increased to \$3.20 per kilowatt per month resulting in an increased loss from the failure of Generator #7 of \$11,520 per month. The unit was not available for power generation from July of 2004 to May of 2005. Vinton Municipal Electric Utility was required to pay \$25,000 to meet the deductible on the insurance policy covering the generator.

In August of 2004, a storm producing 80-mph straight-line winds caused disruption in Vinton Municipal Electric Utility's power supply from Alliant Energy, resulting in a complete system outage and an unexpected loss of revenue. According to system logs, at 6 p.m. on the evening of the storm Vinton Municipal Electric Utility's load was 8.599 megawatts. Shortly after 6 p.m. the storm hit. System power was restored within less than 30 minutes, but 445 customers were left without service. All customers had their power restored within 48 hours. The disruption of power caused a loss of revenue from lost electricity sales and additional expenses for overtime labor, fuel, and materials used to restore power.

Due to the rising costs incurred by Vinton Municipal Electric Utility the board voted at the November 10, 2004 meeting to use the energy adjustment factor. The energy adjustment factor was set at \$0.0094 per kilowatt hour to be billed on the next billing cycle. From November 2004 to June 2005 the energy adjustment factor varied from a high in January 2005 of \$0.0164 to a low in February of 2005 of \$0.00.

Vinton Municipal Electric Utility Board voted in January 2005 to provide \$5,000 in funding for Vinton Unlimited to help them carry on with their many activities.

Manager Ralph Mann announced his retirement effective January 28, 2005 after 29 years of service to Vinton Municipal Electric Utility. The Utility Board began a search for a new manager. Craig Riffey was hired to start on March 28, 2005 at an annual salary of \$52,500. Craig resigned effective May 6, 2005. As of June 30, 2005, a new manager had not yet been hired.

The completion of a new McDonald's and Ehlinger's gas station in the spring of 2005 has added some additional load to Vinton Municipal Electric Utility's power consumption.

# **Vinton Municipal Electric Utility Management's Discussion and Analysis**

The generation plant roof required repair and the board accepted a bid in the amount of \$5,904 from Stanley Roofing to make the repairs. The generation crew also painted a good portion of the plant. This has improved the looks of the plant considerably.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

## **FINANCIAL ANALYSIS**

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

# Vinton Municipal Electric Utility Management's Discussion and Analysis

NET ASSETS		
<i><b>ASSETS</b></i>	Year Ended June 30	
	2005	2004
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 1,173,497	\$ 1,275,587
Certificates of Deposit	2,425,000	2,400,000
Receivables:		
Trade Accounts (Net of Allowance for Doubtful Accounts 2005 and 2004: \$4,600)	166,902	166,373
City of Vinton	8,963	10,586
Unbilled Revenue	149,301	131,290
Interest	27,840	15,794
Other	7,395	10,512
Notes Receivable, City of Vinton, Current Portion	55,622	115,006
Inventories	189,130	146,078
Prepaid Expenses	53,408	53,002
Total Current Assets	4,257,058	4,324,228
<b>Noncurrent Assets</b>		
Investment in RPGI Joint Venture	43,704	66,114
Notes Receivable, City of Vinton, Net of Current Portion	113,850	164,450
Capital Assets (Net of Accumulated Depreciation)	3,437,839	3,465,815
Total Other Assets	3,595,393	3,696,379
Total Assets	\$ 7,852,451	\$ 8,020,607
<b>LIABILITIES &amp; NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 229,788	\$ 216,163
Accrued Expenses		
Payroll	13,586	12,629
Vacation	26,024	30,978
Sick Pay	49,232	56,872
Sales and Use Tax	11,755	9,297
Total Current Liabilities	330,385	325,939
Total Liabilities	330,385	325,939
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	3,437,839	3,465,815
Unreserved	4,084,227	4,228,853
Total Net Assets	7,522,066	7,694,668
Total Liabilities and Net Assets	\$ 7,852,451	\$ 8,020,607

## Vinton Municipal Electric Utility Management's Discussion and Analysis

Net assets of the Electric Utility decreased from fiscal year ended June 30, 2004 by 2.2%. The largest portion of the Electric Utility's net assets is unreserved while the other portion is invested in capital assets (e.g., land, distribution system, buildings and equipment). Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements is \$4,084,227 at the end of this year.

### CHANGES IN NET ASSETS

	Year Ended June 30	
	2005	2004
<b>Operating Revenue</b>		
Energy and Excess Capacity Revenue	\$ 2,466,895	\$ 2,381,941
Other Charges and Miscellaneous Income	<u>196,293</u>	<u>140,601</u>
Total Operating Revenue	<u>2,663,188</u>	<u>2,522,542</u>
<b>Operating Expenses</b>		
Generation and Purchased Power	1,772,242	1,573,367
Distribution	207,024	254,594
Customer Accounts	19,473	20,590
Administrative and General	466,744	483,757
Depreciation	<u>216,676</u>	<u>203,155</u>
Total Operating Expenses	<u>2,682,159</u>	<u>2,535,463</u>
Income (Loss) from Operations	(18,971)	(12,921)
<b>Non-Operating Revenues (Expenses)</b>		
Interest Income	72,371	47,066
Equity in Net (Loss) of RPGI Joint Venture	<u>(22,410)</u>	<u>(2,494)</u>
Net Non-Operating Revenue	<u>49,961</u>	<u>44,572</u>
Net Income Before Operating Transfers	30,990	31,651
<b>Operating Transfers</b>		
To the City of Vinton	<u>(203,592)</u>	<u>(260,552)</u>
Change in Net Assets	(172,602)	(228,901)
Net Assets – Beginning of Year	<u>7,694,668</u>	<u>7,923,569</u>
Net Assets – End of Year	<u>\$ 7,522,066</u>	<u>\$ 7,694,668</u>

The Electric Utility's base rates stayed the same for fiscal year 2005, with the exception of the implementation of the energy adjustment factor. Revenues increased only slightly during the year.

# **Vinton Municipal Electric Utility Management's Discussion and Analysis**

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **CAPITAL ASSETS**

The Electric Utility's capital assets include land, buildings, vehicles, machinery and equipment, tools and distribution system. Capital assets totaled \$3,437,839 (net of accumulated depreciation) at June 30, 2005. Additional information on the Electric Utility's assets can be found in Note 6 to the financial statements in this report.

### **ECONOMIC FACTORS BEARING ON THE ELECTRIC UTILITY'S FUTURE**

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

### **CONTACTING THE ELECTRIC UTILITY'S FINANCIAL MANAGEMENT**

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

**LIABILITIES & NET ASSETS**

	<u>2005</u>	<u>2004</u>
<b>Current Liabilities</b>		
Accounts Payable	\$ 229,788	\$ 216,163
Accrued Expenses		
Payroll	13,586	12,629
Vacation	26,024	30,978
Sick Pay	49,232	56,872
Sales and Use Tax	11,755	9,297
Total Current Liabilities	<u>330,385</u>	<u>325,939</u>
Total Liabilities	<u>330,385</u>	<u>325,939</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	3,437,839	3,465,815
Unreserved	4,084,227	4,228,853
Total Net Assets	<u>7,522,066</u>	<u>7,694,668</u>
Total Liabilities and Net Assets	<u>\$ 7,852,451</u>	<u>\$ 8,020,607</u>

See Accompanying Notes to the Financial Statements

**Vinton Municipal Electric Utility**  
**A Component Unit of the City of Vinton, Iowa**  
**Statements of Revenue, Expenses and Changes in Net Assets**  
**June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>Operating Revenue</b>		
Energy and Excess Capacity Revenue	\$ 2,466,895	\$ 2,381,941
Other Charges and Miscellaneous Income	196,293	140,601
Total Operating Revenue	<u>2,663,188</u>	<u>2,522,542</u>
<b>Operating Expenses</b>		
Generation and Purchased Power	1,772,242	1,573,367
Distribution	207,024	254,594
Customer Accounts	19,473	20,590
Administrative and General	466,744	483,757
Depreciation	216,676	203,155
Total Operating Expenses	<u>2,682,159</u>	<u>2,535,463</u>
(Loss) from Operations	(18,971)	(12,921)
<b>Non-Operating Revenues (Expenses)</b>		
Interest Income	72,371	47,066
Equity in Net (Loss) of RPGI Joint Venture	<u>(22,410)</u>	<u>(2,494)</u>
Net Non-Operating Revenues	<u>49,961</u>	<u>44,572</u>
Net Income Before Operating Transfers	30,990	31,651
<b>Operating Transfers</b>		
To the City of Vinton	<u>(203,592)</u>	<u>(260,552)</u>
Change in Net Assets	(172,602)	(228,901)
Net Assets - Beginning of Year	<u>7,694,668</u>	<u>7,923,569</u>
Net Assets - End of Year	<u>\$ 7,522,066</u>	<u>\$ 7,694,668</u>

See Accompanying Notes to the Financial Statements

**Vinton Municipal Electric Utility**  
**A Component Unit of the City of Vinton, Iowa**  
**Statements of Cash Flows**  
**June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>Cash Flows from Operating Activities</b>		
Cash Received from Energy and Excess Capacity Revenue	\$ 2,453,095	\$ 2,345,728
Cash Received From Other Charges and Miscellaneous Income	196,293	140,601
Cash Paid to Suppliers for Generation and Purchased Power	(1,670,620)	(1,332,906)
Cash Paid to Employees for Services	(527,704)	(493,833)
Cash Paid on Distribution Services	(52,026)	(107,657)
Cash Paid on Administrative and General Services	(254,145)	(278,061)
Net Cash Provided by Operating Activities	<u>144,893</u>	<u>273,872</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Operating Transfers Out	<u>(203,592)</u>	<u>(260,552)</u>
Net Cash (Used) in Noncapital Financing Activities	<u>(203,592)</u>	<u>(260,552)</u>
<b>Cash Flows from Investing Activities</b>		
Investment in Certificates of Deposit	(2,425,000)	(3,250,000)
Proceeds from Maturity of Certificate of Deposit	2,400,000	2,900,000
Issuance of Notes Receivable	-	(91,875)
Collections on Notes Receivable	109,984	125,671
Interest Income Received	60,325	37,803
Net Cash Provided (Used) by Investing Activities	<u>145,309</u>	<u>(278,401)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Payment for Purchase of Property and Equipment	<u>(188,700)</u>	<u>(178,313)</u>
Net Cash (Used) in Capital Financing Activities	<u>(188,700)</u>	<u>(178,313)</u>
Net (Decrease) in Cash	(102,090)	(443,394)
Cash at Beginning of Year	<u>1,275,587</u>	<u>1,718,981</u>
Cash at End of Year	<u>\$ 1,173,497</u>	<u>\$ 1,275,587</u>

(continued)

**Vinton Municipal Electric Utility**  
**A Component Unit of the City of Vinton, Iowa**  
**Statements of Cash Flows (continued)**  
**June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities:</b>		
Operating (Loss)	\$ (18,971)	\$ (12,921)
Adjustments to Reconcile Income From Operations to Net Cash Provided by Operating Activities		
Depreciation	216,676	203,155
Change in Assets and Liabilities		
(Increase) in Receivables	(13,800)	(36,213)
(Increase) Decrease in Inventories	(43,052)	6,833
(Increase) in Prepaid Expenses	(406)	(1,672)
Increase in Accounts Payable	13,625	111,796
Increase (Decrease) in Accrued Expenses	(9,179)	2,894
Net Cash Provided by Operating Activities	<u>\$ 144,893</u>	<u>\$ 273,872</u>

See Accompanying Notes to the Financial Statements

# Vinton Municipal Electric Utility

## Notes to the Financial Statements

### NOTE 1. Nature of Organization and Significant Accounting Policies

#### Reporting Entity

The Vinton Municipal Electric Utility is a political subdivision and component unit of the City of Vinton, Iowa. The legally controlling budget of the City of Vinton, Iowa, includes the budget of the Utility as a portion of the Public Works. The Utility supplies electricity and grants credit to approximately 2,400 residential and business customers within the City. The accompanying financial statements present the financial position, results of operations and cash flows of the Utility only. The Utility is governed by a board of trustees appointed by the Mayor of the City of Vinton, Iowa, approved by the City Council and is managed by a superintendent.

#### Basis of Presentation

The accounts of Vinton Municipal Electric Utility are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

#### Measurement Focus and Basis of Accounting

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

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

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

# Vinton Municipal Electric Utility

## Notes to the Financial Statements

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

#### Use of Estimates

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

#### Concentrations

The Utility purchased under contract approximately 91% and 94% of its kilowatt-hour power requirements from Resale Power Group of Iowa (RPGI), during the years ended June 30, 2005 and 2004, respectively. Although there are a limited number of suppliers, the Utility believes that other suppliers could provide comparable power.

#### Cash Equivalents

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

#### Inventories

Inventories of fuel, operating supplies and repair parts are stated at the lower of average cost or market. Cost is determined on a weighted average basis.

#### Unbilled Revenue

The Utility follows the practice of reading its customers' meters before month end. As a result, as of June 30, 2005 and 2004, the Utility had provided electrical service to its customers for the latter part of the month of June but had not yet billed the customers for that revenue.

Unbilled revenue of \$149,301 and \$131,290 was accrued at June 30, 2005 and 2004, respectively.

# Vinton Municipal Electric Utility

## Notes to the Financial Statements

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

#### Capital Assets

Land, buildings and equipment are reflected at cost. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations. Depreciation is computed under the straight-line method over the useful lives as follows:

<u>Type</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	10 to 50 Years
Generation Equipment	20 to 50 Years
Distribution Equipment	25 to 40 Years
Plant Tools and Equipment	10 to 25 Years
Office Equipment	5 Years
Jacket Radiator Equipment	10 to 25 Years
Transportation Equipment	10 to 15 Years

### NOTE 2. Cash Flow Statement Supplementary Information

<u>Schedule of Noncash Investing and Financing Activities</u>	<u>2005</u>	<u>2004</u>
Equity in Net (Loss) RPGI Joint Venture	\$ (22,410)	\$ (2,494)
Contributed Assets	\$ -----	\$ -----

# Vinton Municipal Electric Utility

## Notes to the Financial Statements

### **NOTE 3. Cash and Investments**

The Utility's deposits in banks at June 30, 2005 and 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Utility is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; 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.

### **NOTE 4. Joint Venture**

The Utility is a member of RPGI, a joint and cooperative undertaking under the provisions of Chapter 28E of the Code of Iowa. RPGI is administered by the Iowa Association of Municipal Utilities and was organized to provide members with combined bargaining power in negotiating wholesale power contracts and a method of investing in construction power lines. This joint venture is accounted for under the equity method. The Utility's approximate pro rata interest in RPGI was 6.64% and 6.8% at June 30, 2005 and June 30, 2004, respectively. This is determined based on the ratio of the Utility's cumulative energy purchases from RPGI to total energy sales by RPGI to all members. Separate financial statements of RPGI are available to its members.

### **NOTE 5. Notes Receivable and Subsequent Events**

On October 12, 1999, the Utility advanced \$30,000 to the City for the purchase of emergency sirens. The unsecured note is payable in semi-annual payments of \$3,454, including interest at 5.3% through June 1, 2005. This note has been paid in full.

On April 1, 2003, the Utility advanced \$253,000 to the City. The non-interest bearing note is unsecured and payable in quarterly payments of \$12,650, final payment is due July 1, 2008. The balance outstanding on the note at June 30, 2005 was \$113,850.

# Vinton Municipal Electric Utility

## Notes to the Financial Statements

### NOTE 5. Notes Receivable and Subsequent Events (Continued)

The Utility has loaned \$33,000 to West First Street Limited Liability Company to assist in financing a speculative "shell building". The loan bears no interest and repayment is due when West First Street Limited Liability Company sells the building to a third party. This loan has been paid in full.

On February 28, 2004, the Utility advanced \$38,600 to the City Park and Recreation Department to assist in completing the waterslide. The unsecured note is payable in semi-annual payments of \$19,590, including interest at 2%. Final payment was due June 1, 2005. The balance outstanding on the note at June 30, 2005 was \$5,022. This note was paid in full subsequent to year end.

The Utility loaned \$53,275 to the City Park and Recreation Department to assist in improvements. This non-interest bearing note is unsecured and due in full by June 30, 2005. This note has been paid in full.

### NOTE 6. Capital Assets

A summary of capital assets at June 30, 2005 is as follows:

	Balance, Beginning of Year	Increases	Decreases	Balance, End of Year
Capital Assets not being Depreciated:				
Land and Improvements	\$ 72,815	\$ ----	\$ ----	\$ 72,815
Capital Assets being Depreciated:				
Buildings and Improvements	\$ 625,999	\$ 5,904	\$ ----	\$ 631,903
Generation Equipment	4,766,635	182,796	----	4,949,431
Distribution Equipment	3,134,110	----	----	3,134,110
Plant Tools and Equipment	489,450	----	----	489,450
Office Equipment	20,224	----	----	20,224
Jacket Radiator Equipment	114,284	----	----	114,284
Transportation Equipment	360,415	----	----	360,415
Total Capital Assets being Depreciated	9,511,117	188,700	----	9,699,817

# Vinton Municipal Electric Utility

## Notes to the Financial Statements

### NOTE 6. Capital Assets (Continued)

	Balance, Beginning of Year	Increases	Decreases	Balance, End of Year
Less Accumulation Depreciation for: Buildings and Improvements, Generation Equipment, Distribution Equipment, Plant Tools & Equipment, Office Equipment, Jacket Radiator Equipment, Transportation Equipment and Construction in Progress	<u>6,118,117</u>	<u>216,676</u>	<u>-----</u>	<u>6,334,793</u>
Total Accumulated Depreciation	6,118,117	216,676	-----	6,334,793
Total Capital Assets being Depreciated, Net	<u>3,393,000</u>	<u>(27,976)</u>	<u>-----</u>	<u>3,365,024</u>
Total Capital Assets, Net	<u>\$3,465,815</u>	<u>\$ (27,976)</u>	<u>\$ -----</u>	<u>\$3,437,839</u>

### NOTE 7. Compensated Absences

The Utility's employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. The vacation days are accumulated during the year based on the anniversary date of each employee. Accrued vacation pay was \$26,024 and \$30,978 at June 30, 2005 and 2004, respectively.

The Utility has a sick leave policy for all employees except part-time and probationary employees of less than 30 days. Under the plan, employees earn sick leave hours at the rate of one day per month. Accrued sick pay was \$49,232 and \$56,872 at June 30, 2005 and 2004, respectively.

# Vinton Municipal Electric Utility

## Notes to the Financial Statements

### **NOTE 8. Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Utility's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$21,273, \$19,645 and \$20,313, equal to the required contributions for each year.

### **NOTE 9. Related Party Transactions**

The Utility charged the City of Vinton, Iowa, \$107,395 and \$107,416 and the Vinton Municipal Water Utility \$17,513 and \$17,999 for electric energy usage during the years ended June 30, 2005 and 2004, respectively. These amounts are included in gross sales and amounts due from these parties are reflected as receivables on the accompanying balance sheets.

The Utility bills customers for water, sewer and landfill usage in addition to electric energy used. As payments are received, the water, sewer and landfill portions of the billing are remitted directly to the Municipal Water Utility and City of Vinton, respectively.

The Utility purchased wholesale electric power totaling \$1,488,720 and \$1,193,310 from RPGI and sold excess capacity and energy totaling \$44,672 and \$108,282 to RPGI during the years ended June 30, 2005 and 2004, respectively.

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 Utility received repayments of \$6,644 and \$6,305 during the years ended June 30, 2005 and 2004, respectively, resulting in a note receivable balance of \$0 and \$6,644 at June 30, 2005 and 2004, respectively.

# Vinton Municipal Electric Utility

## Notes to the Financial Statements

### NOTE 9. Related Party Transactions (Continued)

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 Utility received repayments of \$50,600 and \$37,950 during the years ended June 30, 2005 and 2004, respectively, resulting in a note receivable balance of \$164,450 and \$215,050 at June 30, 2005 and 2004, respectively.

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 Utility received repayments of \$19,162 and \$34,113 during the years ended June 30, 2005 and 2004, respectively, resulting in a note receivable balance of \$0 and \$19,162 at June 30, 2005 and 2004, respectively.

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 and \$0 during the years ended June 30, 2005 and 2004, respectively, resulting in a note receivable balance of \$5,022 and \$38,600 at June 30, 2005 and 2004, respectively.

### NOTE 10. Comparison of Disbursements with Budget

	<u>2005</u>	<u>2004</u>
Total Disbursements – Cash Basis, Public Works	<u>\$2,896,788</u>	<u>\$2,664,989</u>
Budget	<u>\$3,282,295</u>	<u>\$3,250,829</u>

The amount reflected as the budget is prepared on a cash basis and is not a legally controlling budget at the Utility fund level. The Utility is included, however, within the City of Vinton, Iowa, budget which is a legally controlling budget as a portion of the Public Works budget.

# **Vinton Municipal Electric Utility**

## **Notes to the Financial Statements**

### **NOTE 11. Risk Management**

The Utility is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except for distribution property and equipment, these risks are covered by the purchase of commercial insurance. The Utility assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Utility has retained the risk of damage to and destruction of most distribution property and equipment. There were no material estimated liabilities or claims paid during the past two fiscal years.

### **NOTE 12. Commitments and Contingent Liabilities**

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

### **NOTE 13. Reclassifications**

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

# **Supplementary Information**

**Vinton Municipal Electric Utility**  
**A Component Unit of the City of Vinton, Iowa**  
**Capital Assets and Accumulated Depreciation**  
**June 30, 2005 and 2004**

<b>ASSETS</b>	Balance <u>6/30/2003</u>	<u>Additions</u>	<u>Disposals</u>
<b>Land</b>	\$ 72,815	\$ -	\$ -
<b>Buildings and Improvements</b>	<u>568,081</u>	<u>57,918</u>	<u>-</u>
<b>Generation Equipment</b>			
1946-1000 H.P. Fairbanks Morse Engine (Engine # 5)	107,734	-	-
1955-1920 H.P. Fairbanks Morse Engine (Engine # 1)	221,319	-	-
1961 Cooper-Bessemer Engine (Engine # 6)	644,610	-	-
1968 DeLaval Enterprise Engine (Engine # 7)	893,838	-	-
1973 Cooper-Bessemer Engine (Engine # 8)	1,235,179	-	-
1962 4210 H.P. Cooper-Bessemer Engine (Engine # 9)	1,420,159	-	-
Cooling Tower	37,311	-	-
Exhaust Improvement Project	57,502	-	-
20 HP Motor and Base Plate	2,121	-	-
Engine Re-insulation	11,896	-	-
Accu Therm Heat Exchanger	20,462	-	-
3 Ton Crane System	48,689	-	-
Air Compressor	-	6,986	-
Water Cooler Reconstruction	-	58,829	-
<b>Total Generation Equipment</b>	<u>4,700,820</u>	<u>65,815</u>	<u>-</u>
<b>Distribution Equipment</b>			
Interconnect System	404,950	-	-
5 and 15 KV Switchgear Equipment	438,447	-	-
Meters and Service Equipment	267,643	-	-
Primaries	623,272	4,168	-
Secondaries and Street Lighting System	174,323	3,690	-
Poles, Towers and Fixtures	186,969	-	-
Transformers	529,840	20,497	-
Station Equipment	192,210	-	-
Mainstreet Distribution Project	288,101	-	-
<b>Total Distribution Equipment</b>	<u>3,105,755</u>	<u>28,355</u>	<u>-</u>
<b>Plant Tools and Equipment</b>	<u>61,109</u>	<u>428,341</u>	<u>-</u>
<b>Office Equipment</b>	<u>20,224</u>	<u>-</u>	<u>-</u>
<b>Jacket Radiator Equipment</b>	<u>114,284</u>	<u>-</u>	<u>-</u>
<b>Transportation Equipment</b>	<u>396,398</u>	<u>-</u>	<u>35,983</u>
<b>Construction in Progress</b>	<u>402,117</u>	<u>26,224</u>	<u>428,341</u>
<b>Total</b>	<u>\$ 9,441,603</u>	<u>\$ 606,653</u>	<u>\$ 464,324</u>

Balance 6/30/2004	Additions	Disposals	Balance 6/30/2005	Carrying Value Less Accumulated Depreciation	
				6/30/2005	6/30/2004
\$ 72,815	\$ -	\$ -	\$ 72,815	\$ 72,815	\$ 72,815
625,999	5,904	-	631,903	243,796	254,037
107,734	-	-	107,734	-	-
221,319	-	-	221,319	60,215	63,755
644,610	-	-	644,610	35,239	38,780
893,838	-	-	893,838	129,215	137,284
1,235,179	182,796	-	1,417,975	313,839	140,597
1,420,159	-	-	1,420,159	1,065,859	1,094,351
37,311	-	-	37,311	26,741	28,233
57,502	-	-	57,502	41,210	43,510
2,121	-	-	2,121	902	1,008
11,896	-	-	11,896	7,097	7,573
20,462	-	-	20,462	17,854	18,268
48,689	-	-	48,689	41,222	43,170
6,986	-	-	6,986	6,054	6,753
58,829	-	-	58,829	54,662	57,603
4,766,635	182,796	-	4,949,431	1,800,109	1,680,885
404,950	-	-	404,950	36,191	47,595
438,447	-	-	438,447	4,030	4,359
267,643	-	-	267,643	66,905	71,819
627,440	-	-	627,440	202,568	221,036
178,013	-	-	178,013	50,704	54,300
186,969	-	-	186,969	22,226	24,543
550,337	-	-	550,337	119,688	131,208
192,210	-	-	192,210	50,415	59,345
288,101	-	-	288,101	202,639	209,842
3,134,110	-	-	3,134,110	755,366	824,047
489,450	-	-	489,450	433,959	454,314
20,224	-	-	20,224	779	1,533
114,284	-	-	114,284	37,628	42,386
360,415	-	-	360,415	93,387	135,798
-	-	-	-	-	-
\$ 9,583,932	\$ 188,700	\$ -	\$ 9,772,632	\$ 3,437,839	\$ 3,465,815

**Vinton Municipal Electric Utility**  
**A Component Unit of the City of Vinton, Iowa**  
**Capital Assets and Accumulated Depreciation**  
**June 30, 2005 and 2004**

<b>ACCUMULATED DEPRECIATION</b>	<u>Years</u>	<u>Balance</u> <u>6/30/2003</u>	<u>Depreciation</u>	<u>Disposals</u>
<b>Buildings and Improvements</b>	10 to 50	\$ 357,188	\$ 14,774	\$ -
<b>Generation Equipment</b>				
1946-1000 H.P. Fairbanks Morse Engine (Engine # 5)	20	107,734	-	-
1955-1920 H.P. Fairbanks Morse Engine (Engine # 1)	20	154,024	3,540	-
1961 Cooper-Bessemer Engine (Engine # 6)	20	602,288	3,542	-
1968 DeLaval Enterprise Engine (Engine # 7)	20	749,703	6,851	-
1973 Cooper-Bessemer Engine (Engine # 8)	20	1,085,028	9,554	-
1962 4210 H.P. Cooper-Bessemer Engine (Engine # 9)	50	297,316	28,492	-
Cooling Tower	20	7,586	1,492	-
Exhaust Improvement Project	25	11,692	2,300	-
20 HP Motor and Base Plate	20	1,007	106	-
Engine Re-insulation	25	3,847	476	-
Accum Therm Heat Exchanger	25	1,780	414	-
3 Ton Crane System	25	3,571	1,948	-
Air Compressor	10	-	233	-
Water Cooler Reconstruction	20	-	1,226	-
Total Generation Equipment		<u>3,025,576</u>	<u>60,174</u>	<u>-</u>
<b>Distribution Equipment</b>				
Interconnect System	33	342,847	14,508	-
5 and 15 KV Switchgear Equipment	25	433,759	329	-
Meters and Service Equipment	25	190,641	5,183	-
Primaries	25	388,001	18,403	-
Secondaries and Street Lighting System	25	120,239	3,474	-
Poles, Towers and Fixtures	33	160,109	2,317	-
Transformers	25	407,780	11,349	-
Station Equipment	25	123,935	8,930	-
Mainstreet Distribution Project	40	71,056	7,203	-
Total Distribution Equipment		<u>2,238,367</u>	<u>71,696</u>	<u>-</u>
<b>Plant Tools and Equipment</b>	10 to 25	<u>27,596</u>	<u>7,540</u>	<u>-</u>
<b>Office Equipment</b>	5	<u>16,988</u>	<u>1,703</u>	<u>-</u>
<b>Jacket Radiator Equipment</b>	10 to 25	<u>67,040</u>	<u>4,858</u>	<u>-</u>
<b>Transportation Equipment</b>	10 to 15	<u>218,191</u>	<u>42,410</u>	<u>35,984</u>
<b>Construction in Progress</b>	-	<u>-</u>	<u>-</u>	<u>-</u>
Total Accumulated Depreciation		<u>\$ 5,950,946</u>	<u>\$ 203,155</u>	<u>\$ 35,984</u>

<u>Balance</u> <u>6/30/2004</u>	<u>Depreciation</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/2005</u>
\$ 371,962	\$ 16,145	\$ -	\$ 388,107
107,734	-	-	107,734
157,564	3,540	-	161,104
605,830	3,541	-	609,371
756,554	8,069	-	764,623
1,094,582	9,554	-	1,104,136
325,808	28,492	-	354,300
9,078	1,492	-	10,570
13,992	2,300	-	16,292
1,113	106	-	1,219
4,323	476	-	4,799
2,194	414	-	2,608
5,519	1,948	-	7,467
233	699	-	932
1,226	2,941	-	4,167
<u>3,085,750</u>	<u>63,572</u>	<u>-</u>	<u>3,149,322</u>
357,355	11,404	-	368,759
434,088	329	-	434,417
195,824	4,914	-	200,738
406,404	18,468	-	424,872
123,713	3,596	-	127,309
162,426	2,317	-	164,743
419,129	11,520	-	430,649
132,865	8,930	-	141,795
78,259	7,203	-	85,462
<u>2,310,063</u>	<u>68,681</u>	<u>-</u>	<u>2,378,744</u>
<u>35,136</u>	<u>20,355</u>	<u>-</u>	<u>55,491</u>
<u>18,691</u>	<u>754</u>	<u>-</u>	<u>19,445</u>
<u>71,898</u>	<u>4,758</u>	<u>-</u>	<u>76,656</u>
<u>224,617</u>	<u>42,411</u>	<u>-</u>	<u>267,028</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 6,118,117</u>	<u>\$ 216,676</u>	<u>\$ -</u>	<u>\$ 6,334,793</u>

**Vinton Municipal Electric Utility**  
**A Component Unit of the City of Vinton, Iowa**  
**Operating Expenses**  
**June 30, 2005 and 2004**

	2005	2004
<b>Generation and Purchased Power</b>		
Salaries	\$ 131,455	\$ 123,504
Fuel Oil	25,460	38,800
Natural Gas	98,282	170,372
Lubricants and Chemicals	10,035	4,163
Maintenance	12,019	35,090
Purchased Power	1,488,720	1,193,310
Other	6,271	8,128
	1,772,242	1,573,367
<b>Distribution</b>		
Salaries	154,998	146,937
Line and Station Supplies and Expense	6,618	5,657
Maintenance:		
Structure and Equipment	16,951	26,567
Overhead Lines	9,397	40,617
Line Transformers	11,551	9,821
Street Lighting	3,264	18,947
Electric Meters	3,772	5,243
Other	473	805
	207,024	254,594
<b>Customer Accounts</b>		
Salaries and Outside Services	16,099	16,009
Bad Debts	3,374	4,581
	19,473	20,590
<b>Administrative and General</b>		
Salaries	75,025	70,629
Office Supplies	4,567	39,743
Outside Services	15,945	19,097
Insurance Expense	56,904	61,170
Transportation	16,640	12,739
Payroll Taxes and Employee Benefits	150,127	136,754
Regulatory Assessments	3,526	5,085
Membership Dues	7,302	10,469
Promotion and Economic Development	14,550	22,566
Energy Efficiency	8,700	12,700
Sales Tax	91,638	84,638
Miscellaneous	21,820	8,167
	466,744	483,757
Total Operating Expenses Before Depreciation	2,465,483	2,332,308
Depreciation	216,676	203,155
Total Operating Expenses	\$ 2,682,159	\$ 2,535,463

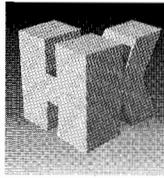
**Vinton Municipal Electric Utility**  
**A Component Unit of the City of Vinton, Iowa**  
**Generation Statistics**  
**Year Ended June 30, 2005**  
**(Unaudited)**

<u>Generator Number</u>	<u>Year Acquired</u>	<u>Fuel Type</u>	<u>Kilowatt Capacity</u>	<u>Hours Operated</u>	<u>KWH Produced</u>
1	1955	Oil - Gas	1,360	26	26,000
5	1946	Oil	650	22	10,600
6	1960	Oil - Gas	2,500	81	164,500
7	1967	Oil - Gas	3,750	65	187,600
8	1973	Oil - Gas	5,625	82	419,600
9	1992	Oil - Gas	3,000	79	218,900
Total KWH Generated				355	1,027,200
KWH Purchased					38,404,621
Total KWH Available					39,431,821
Less: Station Use					(735,500)
Substations					(45,900)
Net KWH Available for Sales					38,650,421
KWH Distributed					34,993,242
Percent Gainfully Applied					90.54%
Maximum Demand on Plant					9,289 KWH
Month, Day, Hour of Occurrence					June 27, 2005 - 5:00 P.M.

**Vinton Municipal Electric Utility**  
**A Component Unit of the City of Vinton, Iowa**  
**Operating Cost Analysis**  
**Year Ended June 30, 2005**  
**(Unaudited)**

Operating Cost Analysis	Amount		Per KWH Distributed	
	2005	2004	2005	2004
<b>Total Sales</b>	\$ 2,663,188	\$ 2,522,542	7.61 ¢	6.70 ¢
<b>Operating Expenses</b>				
Generation and Purchased	1,772,242	1,573,367	5.06	4.18
Distribution	207,024	254,594	0.59	0.68
Customer Accounts	19,473	20,590	0.06	0.05
Administrative and General	466,744	483,757	1.33	1.28
Depreciation	216,676	203,155	0.62	0.54
<b>Total Operating Expenses</b>	<b>2,682,159</b>	<b>2,535,463</b>	<b>7.66</b>	<b>6.73</b>
<b>Income From Operations</b>	(18,971)	(12,921)	(0.05)	(0.03)
Other Income	49,961	44,572	0.14	0.12
<b>Net</b>	<b>\$ 30,990</b>	<b>\$ 31,651</b>	<b>0.09 ¢</b>	<b>0.09 ¢</b>

# **Statistical Information**



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

## **Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting**

Board of Trustees  
Vinton Municipal Electric Utility  
Vinton, Iowa

We have audited the financial statements of the Vinton Municipal Electric Utility (Utility), a component unit of the City of Vinton, Iowa, as of and for the year ended June 30, 2005, and have issued our report thereon dated August 24, 2005. Our report expressed an unqualified opinion on the financial statements. 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 Utility's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Utility's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings and Statutory Reporting.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error of fraud 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 reported conditions described above, we believe item I-A-05 is a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Utility's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Utility's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the component unit financial statements of the Utility. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law is intended solely for the information and use of the Mayor, City Council, and management of the Vinton Municipal Electric Utility and other parties to whom the Utility may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Vinton Municipal Electric Utility during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

 Herb Kamp

Dubuque, Iowa  
August 24, 2005

**Vinton Municipal Electric Utility  
Schedule of Findings and Statutory Reporting  
Year Ended June 30, 2005**

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

**Reportable Conditions**

**I-A-05**    **Segregation of Duties** - One important aspect of the internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that several functions of the Utility may be handled by the same person including collections, recording, posting and adjustments.

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

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

**Conclusion** – Response accepted.

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

**II-A-05**    **Official Depositories** – A resolution naming official depositories has been approved by the Utility. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

**II-B-05**    **Certified Budget** – Utility disbursements during the year ended June 30, 2005 did not exceed the amounts budgeted.

**II-C-05**    **Questionable Expenses** – We noted no expenses that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

**II-D-05**    **Travel Expense** – No disbursements of the Utility money for travel expenses of spouses of the Utility officials or employees were noted.

**Vinton Municipal Electric Utility  
Schedule of Findings and Statutory Reporting  
Year Ended June 30, 2005**

**II-E-05 Business Transactions** - Business transactions between the Utility and its officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Ron Elwick, Council Member Owner of Elwick Electric	Trenching	\$ 1,156

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.

No transactions with Council Members in excess of \$1,500 were entered into in fiscal year 2005.

**II-F-05 Bond Coverage** – Surety bond coverage of the Utility officials and employees is in accordance with statutory provisions and was reviewed and updated during the year. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

**II-G-05 Trustee Minutes** – No transactions were found that we believe should have been included in the minutes but were not. Minutes of Trustee proceedings were published within 15 days as required by Chapter 372.13(b) of the Code of Iowa.

**II-H-05 Deposits and Investments** – We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy