

Financial Statements

Vinton Municipal Water Utility

June 30, 2005 and 2004

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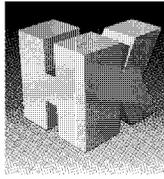
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Vinton Municipal Water Utility

List of Officials

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



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

Independent Auditors' Report

Vinton Municipal Water Utility
Vinton, Iowa

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

We conducted our audits in accordance with 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 financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

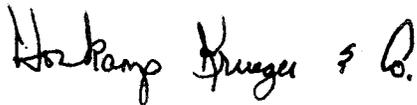
As discussed in Note 1 to the financial statements, the Utility has only recorded capital improvements related to the 1956 and 1967 Water Revenue Bond issues and the cost of additions subsequent to December 31, 1970. In our opinion, all property and equipment should be capitalized at cost and depreciated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

In our opinion, except for the effects of the matters discussed in paragraph three, the financial statements referred to above present fairly, in all material respects, the financial position of the Vinton Municipal Water Utility (Utility), an enterprise fund of the City of Vinton, Iowa as of June 30, 2005 and 2004, and the changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2005, on our consideration of the Vinton Municipal Water Utility (Utility), an enterprise fund of the City of Vinton, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on page 4 through 11 and 27 through 29 are required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The other supplementary information included on page 30 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audits of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Handwritten signature of Horst Kamp, Sr. & Co.

Dubuque, Iowa
August 19, 2005

Vinton Municipal Water Utility Management's Discussion and Analysis

Management of Vinton Municipal Water Utility provides this Management's Discussion and Analysis of its annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage our readers to consider this information in conjunction with the Utility's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- Revenues of the Vinton Municipal Water Utility's activities increased 3%, or approximately \$13,000, from 2004 to 2005.
- Operating expenses increased less than 1%, or approximately \$100, in fiscal 2005 from fiscal 2004.
- Vinton Municipal Water Utility's net assets decreased approximately 1%, or approximately \$17,000, from June 30, 2004 to June 30, 2005.
- Metered Sales – Ordinance No. 907, adopted January 27, 2005, increased water rates by 6%. The categories that make up the rate (operating & maintenance, water usage and minimum charge) all increased proportionately. The ordinance (rate) was effective the "first day of the month after its final passage, approval and publication". The new rate would have been billed in February, with the first new revenue received in March. This gave fiscal year 2004 four months of collection at the increased rate explaining most of the increase in metered sales for fiscal year 2005 over fiscal year 2004.
- Miscellaneous Revenue – There was a decrease in miscellaneous revenue in fiscal year 2005 compared to fiscal year 2004. In fiscal year 2004, the West 1st Street LLC repaid a debt of \$10,000 to the Water Fund upon sale of a speculative shell building that Water, Sewer and Electric had invested in (without interest) accounting for most of the revenue.

Fiscal year 2005 Miscellaneous Revenue was mostly attributable to \$3,466 in reimbursement from insurance due to lightning damage at the water plant, \$2,299 insurance reimbursement for damage to the meter reader vehicle in an accident, and \$1,516 reimbursement from an individual, on court order, that damaged a fire hydrant in a vehicle accident. Miscellaneous revenue is largely unpredictable revenue.

- Employee Benefits – Employee benefits, excluding IPERS, payroll taxes and minor allowances, is group health insurance. Health insurance expenditures are the City share of medical (Blue Cross), self-insured medical (P.R.I.M.E.) and dental insurance (Fortis). Policy years for all being July 1st. Beginning July 1st fiscal year 2005, the premium for dental insurance increased 9%, Blue Cross increased 12%, and the self-insured portion, including administration, increased less than 1%. Overall, the increase was 11% on the cash basis prior to any accrual adjustments. Premiums are paid in the month prior to the month of coverage.

Vinton Municipal Water Utility Management's Discussion and Analysis

- Plant & Distribution System Maintenance – This category is made up primarily of plant, distribution system and other equipment. Significant expenditures were:

Plant - \$7,946 repairs due to lightening strike. Those repairs were covered by insurance except deductibles.

Distribution - \$1,575 to locate and repair water leaks.

Other Equipment - \$3,331 was the City's share of a Homeland Security grant to install an alarm system in the plant. The Water Fund also paid \$1,305 to upgrade the computer server and XP software in City Hall. This amount represents a share as the total cost was split with all users, including City Hall, Sewer and Electric.

- Vehicle Maintenance -

Vehicle Operating Supplies – this category of vehicle maintenance is used for gasoline, diesel, oil, antifreeze and related items. Expenditures depend on driving miles, the price of gas, etc.

Repair & Maintenance Vehicles and Equipment – an increase in expenditures over the previous year was due to repair, \$2,239 of the meter reader's vehicle that was involved in a traffic accident. The related insurance reimbursement is noted above.

Motor Vehicle Maintenance Supplies – this line is for auto parts, maintenance items and tires. Expenditures are normally small amounts.

- Other Maintenance – This category consists of supplies or commodities. Expenditures show a decrease of \$5,156 from the previous year. Decreases were in minor equipment, building & grounds supplies, meters and pipes, valves and hydrants. Pipe, valves and hydrants are inventory items that are replaced as used. The meter replacement program has been completed. The replacement program replaced odometer outdoor type reader/meters with touch pad readers having the power supplied by the reading device. Discussions began on wireless remote reading and other options involving more efficiency, less manpower and faster availability on readings. This upgrade must involve the Electric Utility, as the same reader reads both meters. However, the Electric Utility has had three General Managers in this time, and discussions will start again with a new Manager.

Increases in expenditures occurred in the Street Maintenance category. These are materials used to repair streets after they have been excavated for such things as water main breaks.

Vinton Municipal Water Utility Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

REPORTING THE VINTON MUNICIPAL WATER UTILITY FINANCIAL ACTIVITIES

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

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

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

Vinton Municipal Water Utility Management's Discussion and Analysis

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

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

Fund Financial Statements

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

FINANCIAL ANALYSIS

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

Vinton Municipal Water Utility Management's Discussion and Analysis

NET ASSETS		
<i>ASSETS</i>	Year Ended June 30	
	2005	2004
Current Assets		
Cash	\$ 92,559	\$ 138,516
Receivables:		
Trade Accounts	45,093	41,162
Unbilled Revenue	30,399	27,451
Prepaid Expenses	17,858	16,986
Total Current Assets	185,909	224,115
Restricted Assets		
Cash	22,656	13,125
Certificates of Deposit	257,410	257,410
Total Restricted Assets	280,066	270,535
Capital Assets		
Land	70,051	70,051
Water Plant	2,025,204	2,025,204
Distribution System	989,607	971,042
Equipment and Vehicles	297,986	295,698
Construction in Progress	-----	16,059
Total	3,382,848	3,378,054
Less: Accumulated Depreciation	(1,258,604)	(1,165,394)
Net Capital Assets	2,124,244	2,212,660
Other Assets		
Bond Issue Costs (Net of Amortization 2005: \$11,848; 2004: \$10,741)	4,134	5,241
Total Other Assets	4,134	5,241
Total Assets	\$ 2,594,353	\$ 2,712,551
LIABILITIES & NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 5,970	\$ 3,096
Accrued Expenses		
Payroll	4,238	3,637
Sick Pay	8,488	9,176
Interest	88	93
Compensated Absences	11,010	8,862
Total Current Liabilities	29,794	24,864
Liabilities Payable from Restricted Assets		
Revenue Bonds	266,722	266,348
Accrued Interest	3,788	4,187
Total Liabilities Payable from Restricted Assets	270,510	270,535

Vinton Municipal Water Utility Management's Discussion and Analysis

NET ASSETS (continued)

<i>LIABILITIES & NET ASSETS (con't.)</i>	Year Ended June 30	
	2005	2004
Revenue Bonds (Net of Unamortized Discount 2005: \$4,113; 2004: \$5,214)	\$ 664,165	\$ 770,438
Total Liabilities	<u>964,469</u>	<u>1,065,837</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	1,193,357	1,175,874
Unrestricted	<u>436,527</u>	<u>470,840</u>
Total Net Assets	<u>1,629,884</u>	<u>1,646,714</u>
Total Liabilities and Net Assets	<u>\$ 2,594,353</u>	<u>\$ 2,712,551</u>

Net assets of the Water Utility decreased from fiscal year ended June 30, 2004 by 1%. The largest portion of the Water Utility's net assets is invested in capital assets (e.g., land, water plant distribution system, equipment and vehicles) while the other portion is unreserved. 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 \$156,115 at the end of this year.

CHANGES IN NET ASSETS

	Year Ended June 30	
	2005	2004
Operating Revenue		
Metered Sales	\$ 479,127	\$ 461,344
Miscellaneous	<u>8,576</u>	<u>13,355</u>
Total Operating Revenue	<u>487,703</u>	<u>474,699</u>
Operating Expenses		
Wages	110,419	108,710
Payroll Taxes	7,821	7,908
Retirement Plan	6,231	6,249
Employee Benefits	39,114	32,319
Advertising and Publications	106	534
Telephone and Utilities	22,943	26,653
Office Supplies and Postage	5,926	6,523
Insurance	16,750	17,832
Professional Fees	3,432	4,718
Permits and Licenses	-----	1,300
Dues, Memberships and Subscriptions	1,254	812
Bad Debts	1,139	1,411
Laundry and Sanitation	942	777

Vinton Municipal Water Utility Management's Discussion and Analysis

CHANGES IN NET ASSETS (continued)

	Year Ended June 30	
	2005	2004
Operating Expenses (continued)		
Chemicals	\$ 7,223	\$ 6,938
Water Testing	1,354	1,703
Repairs, Maintenance and Operating Supplies		
Plant and Distribution System	19,475	8,523
Vehicles	9,238	4,453
Other	17,540	22,696
Depreciation	96,892	107,903
Miscellaneous	4,234	3,987
Total Operating Expenses	<u>372,033</u>	<u>371,949</u>
Nonoperating Revenues (Expenses)		
Interest Income	8,382	5,424
Rental Income	2,820	2,820
Interest Expense	(54,401)	(59,230)
Amortization of Bond Issue Costs	(1,107)	(1,214)
Total Nonoperating Revenues (Expenses)	<u>(44,306)</u>	<u>(52,200)</u>
Income Before Operating Transfers	<u>71,364</u>	<u>50,550</u>
Operating Transfers		
From the City of Vinton	30,647	83,213
To the City of Vinton	(118,841)	(114,239)
Total Operating Transfers	<u>(88,194)</u>	<u>(31,026)</u>
Change in Net Assets	(16,830)	19,524
Net Assets, Beginning of Year	<u>1,646,714</u>	<u>1,627,190</u>
Net Assets, End of Year	<u>\$ 1,629,884</u>	<u>\$ 1,646,714</u>

The Water Utility's rates increased in January 2005. This is the cause of the meter sales increase. Revenues increased slightly during the year due to the increase in water rates.

Vinton Municipal Water Utility Management's Discussion and Analysis

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The Water Utility's capital assets include land, water plant, vehicles, machinery and equipment, and distribution system. Capital assets totaled \$2,124,244 (net of accumulated depreciation) at June 30, 2005. Additional information on the Water Utility's assets can be found in Note 5 to the financial statements in this report.

ECONOMIC FACTORS BEARING ON THE WATER UTILITY'S FUTURE

The Water Utility did initiate a small increase in water rates during fiscal year 2005. However, the Water Utility does not expect any significant changes in the future.

CONTACTING THE WATER UTILITY'S FINANCIAL MANAGEMENT

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

Vinton Municipal Water Utility
An Enterprise Fund of the City of Vinton, Iowa
Statements of Net Assets
June 30, 2005 and 2004

<i>ASSETS</i>	<u>2005</u>	<u>2004</u>
Current Assets		
Cash	\$ 92,559	\$ 138,516
Receivables		
Trade Accounts	45,093	41,162
Unbilled Revenue	30,399	27,451
Prepaid Expenses	17,858	16,986
Total Current Assets	<u>185,909</u>	<u>224,115</u>
Restricted Assets		
Cash	22,656	13,125
Certificates of Deposit	257,410	257,410
Total Restricted Assets	<u>280,066</u>	<u>270,535</u>
Capital Assets		
Land	70,051	70,051
Water Plant	2,025,204	2,025,204
Distribution System	989,607	971,042
Equipment and Vehicles	297,986	295,698
Construction in Progress	-	16,059
Total	<u>3,382,848</u>	<u>3,378,054</u>
Less Accumulated Depreciation	<u>(1,258,604)</u>	<u>(1,165,394)</u>
Net Capital Assets	<u>2,124,244</u>	<u>2,212,660</u>
Other Assets		
Bond Issue Costs (Net of Amortization 2005: \$11,848; 2004: \$10,741)	4,134	5,241
Total Other Assets	<u>4,134</u>	<u>5,241</u>
Total Assets	<u>\$ 2,594,353</u>	<u>\$ 2,712,551</u>

LIABILITIES & NET ASSETS	<u>2005</u>	<u>2004</u>
Current Liabilities		
Accounts Payable	\$ 5,970	\$ 3,096
Accrued Expenses		
Payroll	4,238	3,637
Sick Pay	8,488	9,176
Interest	88	93
Compensated Absences	11,010	8,862
Total Current Liabilities	<u>29,794</u>	<u>24,864</u>
Liabilities Payable from Restricted Assets		
Revenue Bonds	266,722	266,348
Accrued Interest	3,788	4,187
Total Liabilities Payable from Restricted Assets	<u>270,510</u>	<u>270,535</u>
Revenue Bonds (Net of Unamortized Discount 2005: \$4,113; 2004: \$5,214)	<u>664,165</u>	<u>770,438</u>
Total Liabilities	<u>964,469</u>	<u>1,065,837</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	1,193,357	1,175,874
Unrestricted	436,527	470,840
Total Net Assets	<u>1,629,884</u>	<u>1,646,714</u>
Total Liabilities and Net Assets	<u>\$ 2,594,353</u>	<u>\$ 2,712,551</u>

See Accompanying Notes to Financial Statements

Vinton Municipal Water Utility
An Enterprise Fund of the City of Vinton, Iowa
Statements of Revenue, Expenses and Changes in Net Assets
For the Years Ended June 30, 2005 and 2004

	2005	2004
Operating Revenue		
Metered Sales	\$ 479,127	\$ 461,344
Miscellaneous	8,576	13,355
Total Operating Revenue	487,703	474,699
Operating Expenses		
Wages	110,419	108,710
Payroll Taxes	7,821	7,908
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Employee Benefits	39,114	32,319
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Office Supplies and Postage	5,926	6,523
Insurance	16,750	17,832
Professional Fees	3,432	4,718
Permits and Licenses	-	1,300
Dues, Memberships and Subscriptions	1,254	812
Bad Debts	1,139	1,411
Laundry and Sanitation	942	777
Chemicals	7,223	6,938
Water Testing	1,354	1,703
Repairs, Maintenance and Operating Supplies		
Plant and Distribution System	19,475	8,523
Vehicles	9,238	4,453
Other	17,540	22,696
Depreciation	96,892	107,903
Miscellaneous	4,234	3,987
Total Operating Expenses	372,033	371,949
Income From Operations	115,670	102,750

(Continued)

Vinton Municipal Water Utility
An Enterprise Fund of the City of Vinton, Iowa
Statements of Revenue, Expenses and Changes in Net Assets
(Continued)
For the Years Ended June 30, 2005 and 2004

	2005	2004
Nonoperating Revenues (Expenses)		
Interest Income	8,382	5,424
Rental Income	2,820	2,820
Interest Expense	(54,401)	(59,230)
Amortization of Bond Issue Costs	(1,107)	(1,214)
Total Nonoperating Revenues (Expenses)	(44,306)	(52,200)
Income Before Operating Transfers	71,364	50,550
 Operating Transfers		
From the City of Vinton	30,647	83,213
To the City of Vinton	(118,841)	(114,239)
Total Operating Transfers	(88,194)	(31,026)
Change in Net Assets	(16,830)	19,524
Net Assets - Beginning of Year	1,646,714	1,627,190
Net Assets - End of Year	\$ 1,629,884	\$ 1,646,714

See Accompanying Notes to Financial Statements

Vinton Municipal Water Utility
An Enterprise Fund of the City of Vinton, Iowa
Statements of Cash Flows
For the Years Ended June 30, 2005 and 2004

	2005	2004
Cash Flows from Operating Activities		
Cash Received from Metered Sales	\$ 472,248	\$ 461,049
Cash Received from Miscellaneous Income	8,576	13,355
Cash Paid to Employees for Services	(161,928)	(153,267)
Cash Paid to Suppliers and Others	(108,447)	(111,132)
Net Cash Provided by Operating Activities	210,449	210,005
Cash Flows from Noncapital Financing Activities		
Transfers to the City of Vinton	(118,841)	(114,239)
Transfers from the City of Vinton	30,647	83,213
Net Cash (Used) in Noncapital Financing Activities	(88,194)	(31,026)
Cash Flows from Capital and Related Financing Activities		
Acquisition and Construction of Capital Assets	(8,482)	(16,059)
Repayment of Revenue Bonds	(107,000)	(97,000)
Payment of Interest on Revenue Bonds	(54,401)	(59,230)
Net Cash (Used) in Capital and Related Financing Activities	(169,883)	(172,289)
Cash Flows from Investing Activities		
Investment in Certificates of Deposit	(257,410)	(257,410)
Proceeds from Maturities of Certificates of Deposit	257,410	257,410
Collection of Economic Development Note Receivable	-	10,000
Interest Received from Investing Activities	8,382	5,424
Rental Income Received	2,820	2,820
Net Cash Provided by Investing Activities	11,202	18,244
Net Increase (Decrease) in Cash	(36,426)	24,934
Cash at Beginning of Year	151,641	126,707
Cash at End of Year	\$ 115,215	\$ 151,641
Reconciliation of Cash		
Current Assets:		
Cash	\$ 92,559	\$ 138,516
Restricted Assets:		
Revenue Note Sinking Fund Cash	22,656	13,125
Total Cash	\$ 115,215	\$ 151,641

(continued)

Vinton Municipal Water Utility
An Enterprise Fund of the City of Vinton, Iowa
Statements of Cash Flows (continued)
For the Years Ended June 30, 2005 and 2004

	2005	2004
Cash Flows from Operating Activities		
Income from Operations	\$ 115,670	\$ 102,750
Adjustments to Reconcile Income From Operations to Net Cash Provided by Operating Activities		
Depreciation and Amortization	97,999	109,111
Change in Assets and Liabilities		
(Increase) in Trade Accounts Receivable and Unbilled Revenue	(6,879)	(295)
(Increase) in Prepaid Expenses	(872)	(4,632)
Increase in Accounts Payable	2,874	1,152
Increase in Accrued Expenses	1,657	1,919
Net Cash Provided by Operating Activities	\$ 210,449	\$ 210,005

See Accompanying Notes to Financial Statements

Vinton Municipal Water Utility

Notes to Financial Statements

NOTE 1. Nature of Organization and Significant Accounting Policies

Reporting Entity

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

Jointly Governed Organizations

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

Measurement Focus and Basis of Accounting

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

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

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

Vinton Municipal Water Utility

Notes to Financial Statements

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

Use of Estimates

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

Cash Equivalents

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

Accounts Receivable

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

Unbilled Revenue

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

Unbilled revenue of \$30,399 and \$27,451 was accrued at June 30, 2005 and 2004, respectively.

Capital Assets

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

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

Vinton Municipal Water Utility

Notes to Financial Statements

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

Capital Assets (continued)

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

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

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

Unamortized Bond Costs

Costs to issue water revenue bonds are amortized using the effective interest method over the life of the bonds. Amortization of bond issue costs was \$1,107 and \$1,214 for 2005 and 2004, respectively.

Discount on Water Revenue Bonds

The original discount of \$15,900 on the water revenue bonds issued in 1997 is being amortized using the effective interest method over the life of the bonds. Accumulated amortization as of June 30, 2005 and 2004 was \$11,787 and \$10,686, respectively. Discount amortization for 2005 and 2004, which was added to interest expense, was \$1,101 and \$1,208, respectively.

Budgets and Budgetary Accounting

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

Vinton Municipal Water Utility

Notes to Financial Statements

NOTE 2. Deposits and Pooled Investments

The Utility's deposits in banks at June 30, 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 City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts and warrants or improvement certificates of a drainage district.

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

NOTE 3. Cash Flow Statement Supplementary Information

<u>Schedule of Noncash Investing and Financing Activities</u>	<u>2005</u>	<u>2004</u>
Acquisition of Capital Assets and Construction		
Cost of Property and Equipment	\$ 27,757	\$ 16,059
Construction in Progress		
Prior Year	(16,059)	-----
Like Kind Exchange Trade Value	<u>(3,216)</u>	<u>-----</u>
Cash Paid for Acquisition of Capital Assets and Construction	<u>\$ 8,482</u>	<u>\$ 16,059</u>

Vinton Municipal Water Utility

Notes to Financial Statements

NOTE 4. Restricted Assets

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

	<u>2005</u>	<u>2004</u>
Bond Covenants		
Debt Sinking Fund	\$ 22,656	\$ 13,125
Debt Reserve	157,410	157,410
Capital Improvements	<u>100,000</u>	<u>100,000</u>
Total	<u>\$ 280,066</u>	<u>\$ 270,535</u>

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

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

NOTE 5. Capital Assets

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

	Balance, Beginning of Year	Increases	Decreases	Balance, End of Year
Capital Assets not being Depreciated:				
Land	\$ 70,051	\$ ----	\$ ----	\$ 70,051
Construction in Progress	<u>16,059</u>	<u>2,506</u>	<u>(18,565)</u>	<u>----</u>
Total Capital Assets not being Depreciated	<u>86,110</u>	<u>2,506</u>	<u>(18,565)</u>	<u>70,051</u>
Capital Assets being Depreciated:				
Water Plant	2,025,204	----	----	2,025,204
Distribution System	971,042	18,565	----	989,607
Equipment and Vehicles	<u>295,698</u>	<u>9,191</u>	<u>(6,903)</u>	<u>297,986</u>
Total Capital Assets being Depreciated	<u>\$ 3,291,944</u>	<u>\$ 27,756</u>	<u>\$ (6,903)</u>	<u>\$ 3,312,797</u>

Vinton Municipal Water Utility

Notes to Financial Statements

NOTE 5. Capital Assets (Continued)

	Balance, Beginning of Year	Increases	Decreases	Balance, End of Year
Less Accumulated Depreciation for:				
Water Plant, Distribution System, Equipment and Vehicles	<u>1,165,394</u>	<u>96,892</u>	<u>(3,682)</u>	<u>1,258,604</u>
Total Capital Assets being Depreciated, Net	<u>2,126,550</u>	<u>(69,136)</u>	<u>(3,221)</u>	<u>2,054,193</u>
Total Capital Assets, Net	<u>\$ 2,212,660</u>	<u>\$(66,630)</u>	<u>\$(21,786)</u>	<u>\$ 2,124,244</u>

NOTE 6. Summary of Long-Term Debt

	Current Portion	
	2005	2004
Water Revenue Bonds, Series 1997, Bankers Trust Company, Des Moines, Iowa – registered agent, due in annual payments beginning June 1, 1998, ranging from \$65,000 to \$150,000, through June 1, 2012, plus interest semi-annually at rates ranging from 5 to 5.35%, depending on maturity, collateralized by first lien on net revenue.	\$ 110,000	\$ 105,000
Water Revenue Bonds, Series 2002, Iowa Department of Natural Resources, due in annual payments beginning June 1, 2003, ranging from \$1,000 to \$3,000, through June 1, 2022, plus interest semi-annually at a rate of 3.00%.	<u>2,000</u>	<u>2,000</u>
	<u>\$ 112,000</u>	<u>\$ 107,000</u>

Vinton Municipal Water Utility

Notes to Financial Statements

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

	<u>Long-Term Portion</u>	
	<u>2005</u>	<u>2004</u>
Water Revenue Bonds, Series 1997, Bankers Trust Company, Des Moines, Iowa – registered agent, due in annual payments beginning June 1, 1998, ranging from \$65,000 to \$150,000, through June 1, 2012, plus interest semi-annually at rates ranging from 5 to 5.35%, depending on maturity, collateralized by first lien on net revenue.	\$ 790,000	\$ 900,000
Water Revenue Bonds, Series 2002, Iowa Department of Natural Resources, due in annual payments beginning June 1, 2003, ranging from \$1,000 to \$3,000, through June 1, 2022, plus interest semi-annually at a rate of 3.00%.	33,000	35,000
Less Unamortized Discount	<u>4,113</u>	<u>5,214</u>
	<u>\$ 818,887</u>	<u>\$ 929,786</u>

Interest expense for the years ended June 30, 2005 and 2004, net of amounts capitalized, includes \$53,300 and \$58,022, respectively, on the bonds plus \$1,101 and \$1,208, respectively, for discount amortization.

At June 30, 2005, annual maturities of long-term debt were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 112,000	\$ 48,250	\$ 160,250
2007	117,000	42,580	159,580
2008	122,000	36,598	158,598
2009	127,000	30,297	157,297
2010	137,000	23,675	160,675
Thereafter	<u>320,000</u>	<u>28,775</u>	<u>348,775</u>
Sub-Total	935,000	210,175	1,145,175
Less: Unamortized Bond Discount	<u>4,113</u>	<u>-----</u>	<u>4,113</u>
Net Total	<u>\$ 930,887</u>	<u>\$ 210,175</u>	<u>\$ 1,141,062</u>

The 1997 water revenue bonds require that certain covenants relating to the maintenance and efficiency of the operating system, the rate structure, restrictions on borrowings and minimum insurance coverage be adhered to. The Utility was in compliance with required covenants for the years ended June 30, 2005 and 2004.

Vinton Municipal Water Utility

Notes to Financial Statements

NOTE 7. Economic Development Loan

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

NOTE 8. Retirement Systems

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

Plan members are required to contribute 3.70% of their annual salary and the Utility is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Utility's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$6,231, \$6,249 and \$5,962, equal to the required contributions for each year.

NOTE 9. Compensated Absences

The Utility's employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. The vacation days are accumulated during the year based on the anniversary date of each employee. Accrued vacation pay was \$11,009 and \$8,862 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, up to a maximum of 120 days. Accrued sick pay was \$8,488 and \$9,176 at June 30, 2005 and 2004, respectively.

Vinton Municipal Water Utility

Notes to Financial Statements

NOTE 10. Related Party Transactions

The Utility reimburses the City of Vinton, Iowa, for the City's share of water billings. Amounts earned for the City's usage are included in gross sales and as an operating transfer on the statement of revenue, expenses and changes in net assets. For the years ended June 30, 2005 and 2004, the Utility transferred \$84,017 and \$81,462, respectively, to the City for administrative expenses associated with operating the Utility and water usage. During the years ended June 30, 2005 and 2004, the Utility purchased electricity from the Vinton Municipal Electric Utility for \$17,513 and \$17,999, respectively.

During 2005 and 2004, the Utility transferred \$32,703 and \$32,853, respectively, to the City's General Fund for payments in lieu of taxes.

During 2005 and 2004, the Utility transferred \$160,705 and \$155,521, respectively, to the City's Debt Service Fund for payments on the Utility's revenue bond.

During 2005 and 2004, the City transferred \$30,647 and \$29,754, respectively, to the Utility for projects and expenses paid by the Utility for the City, and the Utility transferred \$2,121 and \$1,381, respectively, to the City for expenses paid by the City for the Utility.

NOTE 11. Contributed Capital

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

	<u>2005</u>	<u>2004</u>
Contributed Capital – Beginning of Year	\$ 202,408	\$ 202,408
Capital Contributions – City of Vinton	<u>-----</u>	<u>-----</u>
Contributed Capital – End of Year	<u>\$ 202,408</u>	<u>\$ 202,408</u>

Vinton Municipal Water Utility

Notes to Financial Statements

NOTE 12. Risk Management

The Utility is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Utility assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Required Supplementary Information

Vinton Municipal Water Utility
Budgetary Comparison Schedule of Receipts, Disbursements and
Changes in Net Assets - Budget and Actual (Cash Basis)
Required Supplementary Information
Year Ended June 30, 2005

	Actual	Original and Final Budget Amounts	Variance Favorable (Unfavorable)
Receipts:			
Use of Money and Property	\$ 10,910	\$ 7,520	\$ 3,390
Charges for Service	476,180	471,650	4,530
Miscellaneous	3,798	500	3,298
Total Receipts	490,888	479,670	11,218
Disbursements:			
Business Type Transactions	278,415	478,953	200,538
Net	212,473	717	211,756
Other Financing Sources (Uses), Net	(248,899)	(205,916)	(42,983)
Change in Cash Basis Net Assets	(36,426)	(205,199)	168,773
Cash Basis Net Assets, Beginning of Year	409,051	409,051	-
Cash Basis Net Assets, End of Year	\$ 372,625	\$ 203,852	\$ 168,773

**Vinton Municipal Water Utility
Budget to GAAP Reconciliation
Required Supplementary Information
Year Ended June 30, 2005**

	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Accrual Basis</u>
Revenues:			
Use of Money and Property	\$ 10,910	\$ 292	\$ 11,202
Charges for Services	476,180	2,947	479,127
Miscellaneous	<u>3,798</u>	<u>4,778</u>	<u>8,576</u>
Total Revenues	490,888	8,017	498,905
Expenditures:			
Business Type Transactions	<u>278,415</u>	<u>149,126</u>	<u>427,541</u>
Net	212,473	(141,109)	71,364
Other Financing Sources (Uses), Net	(248,899)	160,705	(88,194)
Net Assets, Beginning of the Year	<u>409,051</u>	<u>1,237,663</u>	<u>1,646,714</u>
Net Assets, End of the Year	<u><u>\$ 372,625</u></u>	<u><u>\$ 1,257,259</u></u>	<u><u>\$ 1,629,884</u></u>

Vinton Municipal Water Utility

Notes to Required Supplementary Information – Budgetary Reporting

The Vinton Municipal Water Utility prepares a budget on the cash basis of accounting and submits it to the City Council. In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

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

During the year ended June 30, 2005, disbursements did not exceed the amount budgeted.

Other Supplementary Information

Vinton Municipal Water Utility
An Enterprise Fund of the City of Vinton, Iowa
Capital Assets and Accumulated Depreciation
For the Years Ended June 30, 2005 and 2004

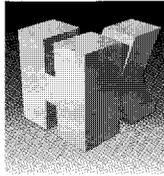
<i>Assets</i>	Balance <u>6/30/03</u>	<u>Additions</u>	<u>Disposals</u>
Land	\$ 70,051	\$ -	\$ -
Water Plant	2,025,204	-	-
Distribution System	971,042	-	-
Equipment and Vehicles	295,698	-	-
Construction in Progress	<u>-</u>	<u>16,059</u>	<u>-</u>
Total Assets	<u>\$ 3,361,995</u>	<u>\$ 16,059</u>	<u>\$ -</u>

Accumulated Depreciation

Water Plant	\$ 482,136	\$ 52,318	\$ -
Distribution System	377,660	26,612	-
Equipment and Vehicles	<u>197,695</u>	<u>28,973</u>	<u>-</u>
Total Accumulated Depreciation	<u>\$ 1,057,491</u>	<u>\$ 107,903</u>	<u>\$ -</u>

Balance			Carrying Value Less		
6/30/2004	Additions	Disposals	Balance	Accumulated Depreciation	
			6/30/2005	6/30/2005	6/30/2004
\$ 70,051	\$ -	\$ -	\$ 70,051	\$ 70,051	\$ 70,051
2,025,204	-	-	2,025,204	1,438,436	1,490,750
971,042	18,565	-	989,607	562,568	566,770
295,698	9,191	6,903	297,986	53,189	69,030
16,059	2,506	18,565	-	-	16,059
<u>\$ 3,378,054</u>	<u>\$ 30,262</u>	<u>\$ 25,468</u>	<u>\$ 3,382,848</u>	<u>\$ 2,124,244</u>	<u>\$ 2,212,660</u>

				Life in
				Years
\$ 534,454	\$ 52,314	\$ -	\$ 586,768	10 - 50
404,272	22,767	-	427,039	6 - 50
226,668	21,811	3,682	244,797	3 - 50
<u>\$ 1,165,394</u>	<u>\$ 96,892</u>	<u>\$ 3,682</u>	<u>\$ 1,258,604</u>	



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

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Vinton Municipal Water Utility
Vinton, Iowa

We have audited the accompanying financial statements of the Vinton Municipal Water Utility (Utility), an enterprise fund of the City of Vinton, Iowa, as of and for the year ended June 30, 2005, and have issued our report thereon August 19, 2005. Our report expressed a qualified opinion due to the fact that the Utility has only recorded capital improvements related to the 1956 and 1967 Water Revenue Bond issues and the cost of additions subsequent to December 31, 1970. We conducted our audit in accordance with 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 an opinion 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 reportable condition in which the design or operation of one or more of internal control components does not reduce to a relatively low level the risk that misstatements caused by error or 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 internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 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 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 or other matters 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 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 Water Utility and other parties to whom the Utility may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Handwritten signature of Hank Krueger in cursive script.

Dubuque, Iowa
August 19, 2005

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

Reportable Condition

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.

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 Disbursements** – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

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

II-E-05 **Business Transactions** – There were no business transactions between the Utility and Utility officials or employees.

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.

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

Part II. Other Findings Related to Required Statutory Reporting (Continued)

- II-G-05 Council Minutes** – No transactions were found that we believe should have been included in the minutes but were not.

- 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.

- II-I-05 Revenue Bonds** – We noted no instances of failure to comply with bond covenants.