

CITY OF VINTON, IOWA

JUNE 30, 2006

FINANCIAL STATEMENTS

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Officials

Name	Title	Term Expires
Elected Officials - Prior to January 1, 2006		
John R. Watson	Mayor	January 1, 2006
Casey Cooling	Council member - 1st Ward	January 1, 2006
F. Ronald Elwick	Council member - 2nd Ward	January 1, 2008
Bill Owens	Council member - 3rd Ward	January 1, 2006
Lisa Vermedahl	Council member - 4th Ward	January 1, 2008
David Redlinger	Council member at large	January 1, 2006
Don Burkey	Council member at large	January 1, 2008
Elected Officials - After January 1, 2006		
John R. Watson	Mayor	January 1, 2008
Ron Hessenius	Council member - 1st Ward	January 1, 2010
F. Ronald Elwick	Council member - 2nd Ward	January 1, 2008
Bud Maynard	Council member - 3rd Ward	January 1, 2010
Lisa Vermedahl	Council member - 4th Ward	January 1, 2008
David Redlinger	Council member at large	January 1, 2010
Don Burkey	Council member at large	January 1, 2008
Appointed Officials		
Cindy Michael	Treasurer/City Clerk	Indefinite
Donald J. Martin	City Coordinator	June 30, 2006
Fischer Law Firm	City Attorney	Indefinite

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Vinton, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Vinton, Iowa, as of June 30, 2006, and the respective changes in the cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2006 on our consideration 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Honorable Mayor and
Members of the City Council
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Management's Discussion and Analysis and budgetary comparison information on Pages 4 through 9 and Page 26 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Vinton, Iowa's basic financial statements. The financial statements and supplemental data for the years ended June 30, 2005, 2004 and 2003 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the second paragraph of this report who expressed unqualified opinions on those financial statements and supplemental data. Other supplemental information included on Pages 27 through 31 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

HOGAN - HANSEN

HOGAN - HANSEN

Waterloo, Iowa
September 15, 2006

Management's Discussion and Analysis

The City of Vinton provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

Revenue of the City's governmental activities decreased 23.2%, or approximately \$1,150,000, from fiscal 2005 to fiscal 2006. Property tax revenue decreased by \$74,738, charges for services decreased \$160,715 while TIF collections increased by \$70,353, debt proceeds decreased by \$737,180 and net transfers decreased by \$349,860.

Disbursements decreased 3.7%, or approximately \$157,000, in fiscal 2006 from fiscal 2005. Public works and culture and recreation disbursements decreased by approximately \$600,000 and \$61,000, respectively, while capital project disbursements increased by approximately \$517,000.

The City's total cash basis net assets decreased 3.9%, or approximately \$179,000, from June 30, 2005 to June 30, 2006. Of this amount, the assets of the governmental activities decreased approximately \$272,000 and the assets of the business-type activities increased by approximately \$93,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-Wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

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

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

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

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-Wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business-Type Activities include the water department and wastewater treatment utilities. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year end that are available for spending. The governmental funds include: (a) the General Fund, (b) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment (TIF), (c) the Debt Service Fund and (d) the Capital Projects Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for Governmental Funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2. Enterprise Funds are used to report business-type activities. The City maintains three Enterprise Funds to provide separate information for the water, wastewater treatment and landfill/recycling funds, considered to be major funds of the City.

The required financial statements for Enterprise Funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

The City as Trustee

The City is the trustee, or fiduciary, for its utility deposits. All of the City’s fiduciary activities are reported in a separate Statement of Cash Receipts, Disbursements and Changes in Cash Balances on Page 13. We exclude these activities from the City’s other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in this fund are used for its intended purpose.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City’s cash balance for governmental activities decreased from \$3,066,234 a year ago to \$2,794,428. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	<u>Year Ended June 30,</u>	
	2006	2005
Receipts and Transfers		
Program Receipts		
Charges for service	\$ 515,668	\$ 676,383
Operating grants, contributions and restricted interest	482,381	658,564
Capital grants, contributions and restricted interest	355,117	239,955
General Receipts		
Property tax, TIF collections and other city taxes	1,536,513	1,565,303
Licenses, permits and franchise fees	65,927	43,186
Special assessments	29,919	—
Franchise tax	—	1,454
Unrestricted interest on investments	143,821	65,730
Debt proceeds	200,000	937,180
Other general receipts	168,545	166,358
Sale of assets	75,834	16,628
Transfers, net	<u>223,362</u>	<u>573,222</u>
Total Receipts and Transfers	<u>3,797,087</u>	<u>4,943,963</u>

	<u>Year Ended June 30,</u>	
	<u>2006</u>	<u>2005</u>
Disbursements		
Public safety	\$ 671,404	\$ 623,284
Public works	651,511	1,248,657
Health and social services	15,003	10,489
Culture and recreation	719,368	780,496
Community and economic development	100,772	185,226
General government	370,014	360,937
Debt service	711,991	752,455
Capital projects	<u>828,830</u>	<u>311,993</u>
Total Disbursements	<u>4,068,893</u>	<u>4,273,537</u>
Increase (Decrease) in Cash Basis Net Assets	(271,806)	670,426
Cash Basis Net Assets - Beginning of Year, as reclassified	<u>3,066,234</u>	<u>2,346,897</u>
Cash Basis Net Assets - End of Year	<u>\$ 2,794,428</u>	<u>\$ 3,017,323</u>

The City's receipts and net transfers for governmental activities totaled \$3,797,087 for fiscal 2006. The total cost of all programs and services was \$4,068,893. The net deficit decreased cash balances on hand by \$271,806 for fiscal 2006.

The City reclassified the landfill/recycling operations to business-type activities resulting in a \$160,715 decrease in charges for services.

The cost of all governmental activities this year was \$4,068,893 compared to \$4,273,537 last year. As shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was only \$2,715,727 because some of the cost was paid by those directly benefiting from the programs (\$515,668) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$837,498). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$2,443,921 in debt proceeds and other general receipts.

Changes in Cash Basis Net Assets of Business-Type Activities

	<u>Year Ended June 30,</u>	
	<u>2006</u>	<u>2005</u>
Receipts		
Program Receipts		
Charges for Service		
Water utility	\$ 496,584	\$ 472,241
Wastewater treatment	398,281	385,082
Landfill/recycling	372,772	—
Operating Grants		
Landfill/recycling	31,750	—
General Receipts		
Unrestricted interest on investments	67,938	33,846
Other general receipts	5,931	10,924
Debt proceeds	<u>1,150,000</u>	<u>—</u>
Total Receipts	<u>2,523,256</u>	<u>902,093</u>

	<u>Year Ended June 30,</u>	
	<u>2006</u>	<u>2005</u>
Disbursements and Transfers		
Water utility	\$ 1,429,556	\$ 278,415
Wastewater treatment	442,132	265,844
Landfill/recycling	335,362	—
Transfers	<u>223,362</u>	<u>358,711</u>
Total Disbursements and Transfers	<u>2,430,412</u>	<u>902,970</u>
Increase (Decrease) in Cash Basis Net Assets	92,844	(877)
Cash Basis Net Assets - Beginning of Year, as reclassified	<u>1,581,959</u>	<u>1,563,001</u>
 Cash Basis Net Assets - End of Year	 <u>\$ 1,674,803</u>	 <u>\$ 1,562,124</u>

Total business-type activities receipts for the fiscal year were \$2,523,256 compared to \$902,093 last year. The cash balance increased approximately \$93,000 from the prior year. Total disbursements and transfers for the fiscal year increased by approximately \$1,530,000 (170%) because the City refunded \$940,000 of water revenue debt and the landfill/recycling fund was treated as a business-type activity for 2006.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Vinton completed the year, its governmental funds reported a combined fund balance of \$2,794,428, a decrease of \$271,806 from last year's total (as reclassified) of \$3,066,234. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$133,744 from the prior year to \$767,231.
- The County Home Sewer Extension Capital Project Fund was established to account for the County Home Sewer Project. At the end of the fiscal year, the cash balance was \$305,059. This fund was established through debt proceeds in previous years to cover the project which had not yet been completed at year end.
- The General Capital Projects Fund was established to account for major capital projects within the City. The cash balance at the end of the fiscal year increased to \$861,497, primarily due to interest on investments.
- The Road Use Tax Fund was established to account for state road use funds collected and spent on street maintenance. The cash balance decreased \$24,883 to \$97,694.
- The Debt Service Fund was established to account for debt obligations of the City. At the end of the fiscal year, the cash balance was \$160,930, a decrease of \$53,754 from the previous year.

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

- The water utility cash balance increased by \$185,126 to \$557,751, due primarily to debt proceeds.
- The wastewater treatment cash balance decreased by \$123,924 to \$1,065,575, due to an increase in current year capital outlay.
- The landfill/recycling cash balance increased \$31,642 to \$51,477, due mainly to an intergovernmental grant.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 9, 2006.

DEBT ADMINISTRATION

At June 30, 2006, the City had \$6,103,000 in bonds and other long-term debt, compared to \$6,099,997 last year, as shown below:

Outstanding Debt at Year End

	<u>Year Ended June 30,</u>	
	<u>2006</u>	<u>2005</u>
General obligation bonds and notes	\$ 4,720,000	\$ 5,145,000
Water revenue bonds	1,183,000	935,000
Rural electric cooperative note	200,000	—
Real estate contracts	—	19,997
Total	<u>\$ 6,103,000</u>	<u>\$ 6,099,997</u>
Loan From Vinton Municipal Electric Utility (Component Unit)	<u>\$ 113,850</u>	<u>\$ 164,450</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$4,720,000 is below its constitutional debt limit of \$5,268,483.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Vinton's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates and fees that will be charged for various City activities.

For 2007, the City has incorporated estimated revenue and expenditures into the budget for several anticipated capital projects, including several street renovations and several other miscellaneous projects. These projects are to be financed by general obligation issues, tax increment financing and community pledges.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cindy Michael, 110 West Third Street, P.O. Box 529, Vinton, IA 52349.

Basic Financial Statements

Statement of Activities and Net Assets - Cash Basis

As of and for the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			Component Unit
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business- Type Activities	Total	
Primary Government								
Governmental Activities								
Public safety	\$ 671,404	\$ 9,609	\$ 29,413	\$ —	\$ (632,382)	\$ —	\$ (632,382)	\$ —
Public works	651,511	3,414	427,167	38,705	(182,225)	—	(182,225)	—
Health and social services	15,003	—	—	—	(15,003)	—	(15,003)	—
Culture and recreation.....	719,368	213,250	15,801	—	(490,317)	—	(490,317)	—
Community and economic development.....	100,772	—	—	126,341	25,569	—	25,569	—
General government	370,014	289,395	10,000	—	(70,619)	—	(70,619)	—
Debt service	711,991	—	—	—	(711,991)	—	(711,991)	—
Capital projects	828,830	—	—	190,071	(638,759)	—	(638,759)	—
Total Governmental Activities	4,068,893	515,668	482,381	355,117	(2,715,727)	—	(2,715,727)	—
Business-Type Activities								
Water utility	1,429,556	496,584	—	—	—	(932,972)	(932,972)	—
Wastewater treatment.....	442,132	398,281	—	—	—	(43,851)	(43,851)	—
Landfill/recycling.....	335,362	372,772	31,750	—	—	69,160	69,160	—
Total Business-Type Activities.....	2,207,050	1,267,637	31,750	—	—	(907,663)	(907,663)	—
Total Primary Government	\$ 6,275,943	\$ 1,783,305	\$ 514,131	\$ 355,117	(2,715,727)	(907,663)	(3,623,390)	—
Component Unit								
Vinton Municipal Electric Utility	\$ 3,109,998	\$ 3,044,852	\$ —	\$ 23,853	—	—	—	(41,293)
General Receipts								
Property Tax Levied for								
General purposes.....					810,311	—	810,311	—
Employee benefits.....					165,896	—	165,896	—
Tax increment financing.....					173,672	—	173,672	—
Debt service					377,593	—	377,593	—
Emergency fund.....					9,041	—	9,041	—
Licenses, permits and franchise fees					65,927	—	65,927	—
Special assessments.....					29,919	—	29,919	—
Unrestricted interest on investments					143,821	67,938	211,759	121,493
Debt proceeds					200,000	1,150,000	1,350,000	—
Miscellaneous.....					168,545	5,931	174,476	67,587
Sale of assets					75,834	—	75,834	—
Transfers in (out)					223,362	(223,362)	—	—
Total General Receipts and Transfers					2,443,921	1,000,507	3,444,428	189,080
Change in Cash Basis Net Assets					(271,806)	92,844	(178,962)	147,787
Cash Basis Net Assets - Beginning of Year, as reclassified					3,066,234	1,581,959	4,648,193	3,598,497
Cash Basis Net Assets - End of Year					\$ 2,794,428	\$ 1,674,803	\$ 4,469,231	\$ 3,746,284
Cash Basis Net Assets								
Restricted								
Streets.....					\$ 97,694	\$ —	\$ 97,694	\$ —
Urban renewal purposes.....					117,601	—	117,601	—
Debt service					160,930	238,167	399,097	—
Other purposes					1,650,972	—	1,650,972	—
Unrestricted					767,231	1,436,636	2,203,867	3,746,284
Total Cash Basis Net Assets					\$ 2,794,428	\$ 1,674,803	\$ 4,469,231	\$ 3,746,284

See accompanying notes to the financial statements.

Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Governmental Funds

As of and for the Year Ended June 30, 2006

	General	Capital Projects			Debt Service	Other Nonmajor Governmental Funds	Total
		General	County Home Sewer Extension	Road Use Tax			
Receipts							
Property taxes	\$ 810,311	\$ —	\$ —	\$ —	\$ 377,593	\$ 165,896	\$ 1,353,800
TIF collections	—	—	—	—	—	173,672	173,672
Other city taxes.....	9,041	—	—	—	—	—	9,041
Licenses and permits.....	65,927	—	—	—	—	—	65,927
Use of money and property	49,926	34,897	12,328	—	23,276	23,394	143,821
Intergovernmental.....	220,260	—	—	427,167	—	190,071	837,498
Charges for service	515,668	—	—	—	—	—	515,668
Special assessments.....	—	—	—	—	29,799	120	29,919
Miscellaneous.....	166,621	1,477	—	—	—	447	168,545
Total Receipts	1,837,754	36,374	12,328	427,167	430,668	553,600	3,297,891
Disbursements							
Operating							
Public safety	671,404	—	—	—	—	—	671,404
Public works	267,000	—	—	384,511	—	—	651,511
Health and social services.....	15,003	—	—	—	—	—	15,003
Culture and recreation	719,368	—	—	—	—	—	719,368
Community and economic development	100,772	—	—	—	—	—	100,772
General government.....	370,014	—	—	—	—	—	370,014
Debt service.....	—	—	—	50,600	661,391	—	711,991
Capital projects.....	—	33,079	53,840	—	—	741,911	828,830
Total Disbursements	2,143,561	33,079	53,840	435,111	661,391	741,911	4,068,893
Receipts Over (Under) Disbursements.....	(305,807)	3,295	(41,512)	(7,944)	(230,723)	(188,311)	(771,002)
Other Financing Sources (Uses)							
Sale of capital assets.....	75,834	—	—	—	—	—	75,834
Debt proceeds	—	—	—	—	—	200,000	200,000
Transfers in.....	374,717	11,000	—	—	176,969	67,982	630,668
Transfers out	(11,000)	(144)	—	(16,939)	—	(379,223)	(407,306)
Total Other Financing Sources (Uses)	439,551	10,856	—	(16,939)	176,969	(111,241)	499,196
Increase (Decrease) in Cash Balances.....	133,744	14,151	(41,512)	(24,883)	(53,754)	(299,552)	(271,806)
Cash Balance - Beginning of Year, as reclassified.....	633,487	847,346	346,571	122,577	214,684	901,569	3,066,234
Cash Balances - End of Year	\$ 767,231	\$ 861,497	\$ 305,059	\$ 97,694	\$ 160,930	\$ 602,017	\$ 2,794,428
Cash Basis Fund Balances							
Reserved							
Debt service.....	\$ —	\$ —	\$ —	\$ —	\$ 160,930	\$ —	\$ 160,930
Unreserved							
General fund.....	767,231	—	—	—	—	—	767,231
Special revenue funds	—	—	—	97,694	—	117,601	215,295
Capital projects funds.....	—	861,497	305,059	—	—	384,416	1,550,972
Permanent fund	—	—	—	—	—	100,000	100,000
Total Cash Basis Fund Balances	\$ 767,231	\$ 861,497	\$ 305,059	\$ 97,694	\$ 160,930	\$ 602,017	\$ 2,794,428

See accompanying notes to the financial statements.

Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Enterprise Funds

As of and for the Year Ended June 30, 2006

	Water Utility	Wastewater Treatment	Landfill/ Recycling	Total
Operating Receipts				
Use of money and property	\$ 25,291	\$ 41,434	\$ 1,213	\$ 67,938
Intergovernmental.....	—	—	31,750	31,750
Charges for service	496,584	398,281	372,772	1,267,637
Miscellaneous.....	<u>4,243</u>	<u>1,139</u>	<u>549</u>	<u>5,931</u>
Total Operating Receipts.....	<u>526,118</u>	<u>440,854</u>	<u>406,284</u>	<u>1,373,256</u>
Operating Disbursements				
Business-type activities	<u>1,429,556</u>	<u>442,132</u>	<u>335,362</u>	<u>2,207,050</u>
Operating Receipts Over (Under)				
Operating Disbursements	<u>(903,438)</u>	<u>(1,278)</u>	<u>70,922</u>	<u>(833,794)</u>
Other Financing Sources (Uses)				
Debt proceeds	1,150,000	—	—	1,150,000
Transfers in.....	31,566	8,139	—	39,705
Transfers out	<u>(93,002)</u>	<u>(130,785)</u>	<u>(39,280)</u>	<u>(263,067)</u>
Total Other Financing Sources (Uses)	<u>1,088,564</u>	<u>(122,646)</u>	<u>(39,280)</u>	<u>926,638</u>
Net Change in Cash Balances.....	185,126	(123,924)	31,642	92,844
Cash Balances - Beginning of Year, as reclassified	<u>372,625</u>	<u>1,189,499</u>	<u>19,835</u>	<u>1,581,959</u>
Cash Balances - End of Year.....	<u>\$ 557,751</u>	<u>\$ 1,065,575</u>	<u>\$ 51,477</u>	<u>\$ 1,674,803</u>
Cash Basis Fund Balances				
Reserved for debt service.....	\$ 238,167	\$ —	\$ —	\$ 238,167
Unreserved	<u>319,584</u>	<u>1,065,575</u>	<u>51,477</u>	<u>1,436,636</u>
Total Cash Basis Fund Balance	<u>\$ 557,751</u>	<u>\$ 1,065,575</u>	<u>\$ 51,477</u>	<u>\$ 1,674,803</u>

See accompanying notes to the financial statements.

Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Fiduciary Funds

As of and for the Year Ended June 30, 2006

	Agency Funds
Receipts	
Deposits.....	<u>\$ 24,813</u>
Disbursements	
Interest.....	436
Refunds of deposits.....	<u>21,410</u>
Total Disbursements	<u>21,846</u>
Net Change in Cash Balances	2,967
Cash Balances - Beginning of Year, as reclassified.....	<u>57,792</u>
Cash Balances - End of Year	<u>\$ 60,759</u>

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The City of Vinton, Iowa, is a political subdivision of the State of Iowa located in Benton County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council members elected on a nonpartisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements and general administrative services.

Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, account groups, agencies, boards, commissions, authorities and component units. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Vinton, Iowa, (the primary government) and its discretely presented component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Certain disclosures about the discretely presented component unit are not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the City Clerk's office.

Discretely Presented Component Unit

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

Jointly Governed Organizations

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

Blended Component Unit

The Vinton Municipal Water Utility is presented as a major enterprise fund of the City.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Basis of Presentation

Government-Wide Financial Statements

The statement of activities and net assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities and net assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

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

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The statement of activities and net assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions, refunds, reimbursements and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Capital Projects

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

The *County Home Sewer Extension (CIP) Fund* is used to account for resources used for a specific sewer improvement project in the City.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Special Revenue

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

Debt Service

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

The City reports the following major enterprise funds:

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

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

The *Landfill/Recycling Fund* accounts for the operation and maintenance of the City's garbage pickup and recycling services.

The City also reports a fiduciary fund which focuses on net assets and changes in net assets. The City's fiduciary fund includes the following:

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

Basis of Accounting

The City of Vinton maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2006, the City exceeded the amounts budgeted in the general government and business-type activities functions.

(2) Deposits and Investments

The City's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities, certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council, prime eligible bankers acceptances, certain high-rated commercial paper, perfected repurchase agreements, certain registered open-end management investment companies, certain joint investment trusts and warrants or improvement certificates of a drainage district.

Notes to the Financial Statements

(2) Deposits and Investments

The City's cash and investments at June 30, 2006 were as follows:

United States Series HH Bonds	\$ 2,000
Cash and cash equivalents	<u>4,467,231</u>
Total	<u>\$ 4,469,231</u>

Interest Rate Risk

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

(3) Bonds and Notes Payable

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

Year Ending June 30,	<u>General Obligation Bonds</u>		<u>General Obligation Notes</u>		<u>Water Revenue Bonds</u>	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 220,000	\$ 120,125	\$ 240,000	\$ 75,448	\$ 102,000	\$ 47,474
2008	235,000	111,340	170,000	68,548	117,000	43,298
2009	240,000	101,915	170,000	64,353	122,000	38,810
2010	240,000	91,971	180,000	59,732	127,000	34,070
2011	140,000	81,545	185,000	54,248	127,000	29,078
2012	150,000	74,545	190,000	48,235	132,000	24,013
2013	155,000	67,045	200,000	41,725	142,000	18,688
2014	165,000	59,140	205,000	34,578	147,000	12,888
2015	175,000	50,560	215,000	26,993	152,000	6,810
2016	180,000	41,373	225,000	18,822	2,000	450
2017	190,000	31,832	120,000	10,048	2,000	390
2018	200,000	21,668	125,000	5,187	2,000	330
2019	205,000	10,968	—	—	2,000	270
2020	—	—	—	—	2,000	210
2021	—	—	—	—	2,000	150
2022	—	—	—	—	3,000	90
	<u>\$ 2,495,000</u>	<u>\$ 864,027</u>	<u>\$ 2,225,000</u>	<u>\$ 507,917</u>	<u>\$ 1,183,000</u>	<u>\$ 257,019</u>

Notes to the Financial Statements

(3) Bonds and Notes Payable

Year Ending June 30,	Rural Electric Cooperative Loan		Vinton Municipal Electric Utility		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 20,000	\$ —	\$ 50,600	\$ —	\$ 632,600	\$ 243,047
2008	20,000	—	50,600	—	592,600	223,186
2009	20,000	—	12,650	—	564,650	205,078
2010	20,000	—	—	—	567,000	185,773
2011	20,000	—	—	—	472,000	164,871
2012	19,207	1,860	—	—	491,207	148,653
2013	19,595	1,472	—	—	516,595	128,930
2014	19,990	1,076	—	—	536,990	107,682
2015	20,394	673	—	—	562,394	85,036
2016	20,814	252	—	—	427,814	60,897
2017	—	—	—	—	312,000	42,270
2018	—	—	—	—	327,000	27,185
2019	—	—	—	—	207,000	11,238
2020	—	—	—	—	2,000	210
2021	—	—	—	—	2,000	150
2022	—	—	—	—	3,000	90
	<u>\$ 200,000</u>	<u>\$ 5,333</u>	<u>\$ 113,850</u>	<u>\$ —</u>	<u>\$ 6,216,850</u>	<u>\$ 1,634,296</u>

On May 25, 2006, the City closed on \$1,150,000 water revenue bonds dated May 1, 2006. Proceeds plus \$42,410 from water debt reserves were used to refund the 1997 water revenue bonds, pay debt issue costs and provide for water system construction costs and equipment purchases. On June 1, 2006, \$790,000 of 1997 water revenue bonds maturing June 1, 2007 through 2012 were called and retired at face value. Maturity on the 2006 bonds is three years longer than the 1997 bonds. The extended maturity plus costs of issuance resulted in increased current future debt service costs of approximately \$26,200 and an economic loss of approximately \$19,600.

The local rural electric cooperative loaned the City \$200,000 to help finance a street construction project. This loan will be repaid over ten years and is interest free for the first five years. After the fifth year, interest of 2% will be charged until the loan is paid off.

The 2006 water revenue bond requires that certain covenants relating to the maintenance and efficiency of the operating system, the rate structure, restrictions on borrowings and minimum insurance coverage be adhered to and are as follows:

1. The Utility shall be maintained by the City in good condition, and the City shall continue to operate the Utility in an efficient manner and at a reasonable cost as a revenue-producing undertaking.

Notes to the Financial Statements

(3) Bonds and Notes Payable

2. The City shall establish, impose, adjust and provide for the collection of rates to be charged to customers of the Utility, including the City, to produce gross revenue at least sufficient to pay the expenses of operation and maintenance of the Utility, which shall include salaries, wages, cost of maintenance and operation, materials, supplies, insurance and all other items normally included under recognized accounting practices (but does not include allowances for depreciation in the valuation of physical property) and to leave a balance of net revenue (herein referred to as the "net revenue") equal to at least 120% of the maximum annual installments principal and interest on all of the bonds and any other parity obligations outstanding from time to time, as the same become due, and to maintain a reasonable reserve for the payment of such principal and interest.
3. Gross revenue of the Utility shall be set aside into a water revenue fund. This account shall be used in maintaining and operating the Utility, and after payment of the operating expenses shall be used to pay the principal and interest on the bonds. This account is also used to maintain the several separate accounts required to be set up by the bond resolutions.
4. Sufficient monthly transfers shall be made to a water revenue sinking account for the purpose of making the bond principal and interest payments. The monthly amount required for the water revenue bonds sinking account shall not be less than one-sixth of the upcoming interest payments plus one-twelfth of the upcoming principal payment.
5. An amount shall be held in a water bond reserve account which shall equal \$115,000, which is equal to the lesser of (a) the maximum amount of principal and interest becoming due on the bonds in any succeeding fiscal year, (b) 125% of the average amount of principal and interest becoming due on the bonds in any succeeding fiscal year or (c) 10% of the net bond proceeds.
6. An amount shall be held in a water bond improvement account which shall equal \$100,000. If this amount is reduced, a transfer of \$4,000 shall be made on the first of every month until the balance is restored.
7. The surplus account shall contain all net revenue remaining after making the required payments into the sinking fund, the reserve fund and the improvement fund, and after the reserve fund contains the required balance of \$115,000.
8. The City shall maintain insurance on the insurable portions of the Utility of a kind and in an amount which usually would be carried by private companies or municipalities engaged in a similar type of business. The City shall also keep proper books of record and account, separate from all other records and accounts, showing the complete and correct entries of all transactions relating to the Utility.

The City was in compliance with required covenants for the year ended June 30, 2006.

Notes to the Financial Statements

(3) Bonds and Notes Payable

Loans From Component Unit

During the year ended June 30, 2003, the Utility transferred \$253,000 to the City of Vinton to finance the building of a street garage. The City made repayments of \$50,600 during the year ended June 30, 2006, resulting in a note payable balance of \$113,850 at June 30, 2006.

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 \$5,022 during the year ended June 30, 2006 to complete repayment of the note.

(4) Pension and Retirement Benefits

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

Plan members are required to contribute 3.7% of their annual salary and the City is required to contribute 5.75% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City and its component unit's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$99,763, \$93,274 and \$88,476, respectively, which were equal to the required contributions for each year.

(5) Compensated Absences

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

Payouts of sick pay are made for time off due to illness or injury. At employee retirement, disability or death, one-half of accumulated sick pay is paid to the employee. If the employee is younger than age 63-1/2 at retirement, disability or death, the maximum payout is limited to 45 days. The City's approximate liability for earned compensated absences payable to employees, including related tax and fringe benefits, is approximately:

Type of Benefit	Amount June 30, 2006
Primary Government	
Vacation.....	\$ 37,000
Sick leave	<u>262,000</u>
	<u>\$ 299,000</u>

The liability has been computed based on rates of pay as of June 30, 2006.

Notes to the Financial Statements

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer To	Transfer From	Amount
General	Permanent	
	Tobin Trust	\$ 3,847
	Capital Projects	
	SE TIF	10,427
	SW TIF	3,659
	Special Revenue	
	Employee Benefits	165,896
	Enterprise	
	Water Utility	93,002
	Wastewater Treatment	63,356
	Landfill/Recycling	<u>34,530</u>
		<u>374,717</u>
Capital Projects		
General (CIP)	General	<u>11,000</u>
W TIF #1	Capital Projects	
	General (CIP)	<u>86</u>
W TIF #2	Special Revenue	
	West TIF #2	27,614
	Capital Projects	
	General (CIP)	<u>58</u>
		<u>27,672</u>
SE TIF	Special Revenue	
	SE TIF	<u>10,608</u>
SW TIF	Special Revenue	
	SW TIF	<u>3,659</u>
Flood Mitigation	Capital Projects	
	NW TIF	<u>3,112</u>
Sidewalk Fund	Special Revenue	
	Road Use Tax	8,800
	Capital Projects	
	Downtown Improvement	<u>14,045</u>
		<u>22,845</u>

Notes to the Financial Statements

(6) Interfund Transfers

Transfer To	Transfer From	Amount
Debt Service	Special Revenue	
	NW TIF	\$ 35,834
	SE TIF	75,173
	SW TIF	12,239
	Downtown #1 TIF	13,110
	Enterprise	
	Sewer Utility	35,863
	Landfill/Recycling	<u>4,750</u>
		<u>176,969</u>
Enterprise		
Water Utility	Enterprise	
	Wastewater Treatment	<u>31,566</u>
Wastewater Treatment	Special Revenue	
	Road Use Tax	<u>8,139</u>
Total		<u>\$ 670,373</u>

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

(7) Budget Overexpenditure

In accordance with the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2006, disbursements in the general government and business-type activities functions exceeded the amounts budgeted.

(8) Industrial Development Revenue Bonds

The City has issued a total of \$1,560,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$1,443,667 was outstanding at June 30, 2006. The bonds and related interest are payable solely from the revenue of the businesses occupying the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

Notes to the Financial Statements

(9) Related Party Transactions

The City had business transactions between the City and City officials or businesses owned by City officials totaling \$5,900 during the year ended June 30, 2006.

The component unit is a member of Resale Power Group of Iowa (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 component unit's approximate pro rata interest in RPGI was 6.56% at June 30, 2006. This was determined based on the ratio of the component unit'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.

The component unit provides electricity to other City departments and bills the City for the usage. The City provides meter reading, certain administration and accounting services to the Utility. The Utility pays one-half the salary of the Meter Reader and the City Clerk. The component unit makes various payments to the City for services received. As mentioned in Note 3, the component unit loans money to the City from time to time.

Transactions with the City for the year and balances at year end are noted below.

Amounts billed to the City for electric services	\$ 100,983
Amounts paid by the City for services	100,122
Payable from the City at year end for electric services	9,824
Amounts paid by the City for loan repayments	55,622
Note balance at year end	113,850
Payments received by the City for services received	213,781

For payroll reporting purposes, the component unit employees are classified as City employees. Payroll costs are transferred by the component unit to the City's bank accounts for payment to or on behalf of employees.

The component unit shares equipment with the City. During the year ended June 30, 2006, the component unit paid \$1,200 for its share of the cost (approximately one-third) of a sorter/inserter and \$9,250 (one-half the total) for a chipper which are shared with the City.

Certain commercial insurance coverage is combined between the component unit and the City. The component unit pays its share of the premium to the insurer.

The component unit purchases electricity for resale from RPGI. Transactions with RPGI for the year are as follows:

Electricity purchased	\$ 1,608,165
Cash payments to RPGI	1,650,250
Payable to RPGI at June 30, 2006	151,393

Notes to the Financial Statements

(9) Related Party Transactions

The Vinton Municipal Water Utility (VMW) is a major enterprise fund of the City. All transactions are processed by the City, including payroll under the City's employer federal identification number. The VMW provides water to the City and its discretely presented component unit, Vinton Municipal Electric Utility (VMEU). The VMW receives electricity from VMEU and various services from the City. For the year, VMW included \$118,006, in operating revenue for sales and services to the City and VMEU. The VMW recognized operating expenses of \$17,962 and \$34,864 from VMEU and the City, respectively.

(10) Risk Management

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

(11) Reclassification of Beginning Balances

Several funds were reclassified to different fund types so they would more accurately reflect the activity and purpose of the fund. The changes to the beginning cash balances are shown below:

	<u>Statements of Cash Receipts and Disbursements</u>					<u>Statement of Activities and Net Assets - Cash Basis</u>		
	General Fund	Landfill/ Recycling Enterprise Fund	Internal Service Funds	Agency Funds	Total	Govern-mental Activities	Business-Type Activities	Total
Beginning cash balance, as previously reported.. \$	549,142	\$ —	\$ 35,434	\$ 126,538	\$ 711,114	\$ 3,017,323	\$ 1,562,124	\$ 4,579,447
Reclassify Landfill/ Recycling Fund as Enterprise Fund	(19,835)	19,835	—	—	—	(19,835)	19,835	—
Reclassify the Payroll and Revolving Funds as part of the General Fund.....	35,434	—	(35,434)	—	—	—	—	—
Reclassify reserve funds for Unemployment and Fire Department as General Fund.....	<u>68,746</u>	<u>—</u>	<u>—</u>	<u>(68,746)</u>	<u>—</u>	<u>68,746</u>	<u>—</u>	<u>68,746</u>
Beginning Cash Balance, as Reclassified	<u>\$633,487</u>	<u>\$19,835</u>	<u>\$ —</u>	<u>\$ 57,792</u>	<u>\$711,114</u>	<u>\$ 3,066,234</u>	<u>\$ 1,581,959</u>	<u>\$ 4,648,193</u>

Notes to the Financial Statements

(12) Commitments and Subsequent Events

The City is involved in construction of capital assets, mainly streets, sanitary sewer lines and water mains. At June 30, 2006, the City was committed to approximately \$966,000 of construction and other contracts and equipment. In August, 2006, the City committed to purchase equipment for approximately \$109,000. The City had also approved entering into an \$80,000 loan agreement with its component unit. The loan proceeds will be used to purchase a truck and will be repaid with 4% interest over ten years.

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

On August 16, 2006, the City issued General Obligation Corporate Purpose and Refunding Bonds Series 2006 with a face value of \$2,875,000. A portion of the proceeds will be used to refund the General Corporation Purpose Bonds issued August 1, 1999 and had an outstanding balance of \$2,065,000 at June 30, 2006.

Required Supplementary Information

Schedule of Budgetary Comparison of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Enterprise Funds

Year Ended June 30, 2006

	Governmental Funds - Actual	Enterprise Funds - Actual	Discretely Presented Component Unit - Actual	Net	Budgeted Amounts		Final to Net
					Original	Final	
Receipts							
Property taxes	\$ 1,353,800	\$ —	\$ —	\$ 1,353,800	\$ 1,346,503	\$ 1,346,503	\$ 7,297
TIF collections	173,672	—	—	173,672	604,622	604,622	(430,950)
Other city taxes.....	9,041	—	—	9,041	11,173	11,173	(2,132)
Licenses and permits.....	65,927	—	—	65,927	12,991	12,991	52,936
Use of money and property	143,821	67,938	121,493	333,252	134,585	134,585	198,667
Intergovernmental.....	837,498	31,750	23,853	893,101	974,875	1,070,875	(177,774)
Charges for service	515,668	1,267,637	3,044,852	4,828,157	4,601,900	4,601,900	226,257
Special assessments.....	29,919	—	—	29,919	20,000	20,000	9,919
Miscellaneous.....	168,545	5,931	11,965	186,441	41,810	41,810	144,631
Total Receipts.....	3,297,891	1,373,256	3,202,163	7,873,310	7,748,459	7,844,459	28,851
Disbursements							
Public safety	671,404	—	—	671,404	671,592	786,592	115,188
Public works	651,511	—	—	651,511	998,151	1,123,151	471,640
Health and social services.....	15,003	—	—	15,003	15,050	15,050	47
Culture and recreation.....	719,368	—	—	719,368	780,081	780,081	60,713
Community and economic development	100,772	—	—	100,772	81,474	111,474	10,702
General government.....	370,014	—	—	370,014	335,725	365,725	(4,289)
Debt service.....	711,991	—	—	711,991	816,323	1,766,323	1,054,332
Capital projects.....	828,830	—	—	828,830	2,981,094	2,981,094	2,152,264
Business-type activities	—	2,207,050	3,109,998	5,317,048	4,582,013	4,457,013	(860,035)
Total Disbursements.....	4,068,893	2,207,050	3,109,998	9,385,941	11,261,503	12,386,503	3,000,562
Receipts Over (Under) Disbursements.....	(771,002)	(833,794)	92,165	(1,512,631)	(3,513,044)	(4,542,044)	3,029,413
Other Financing Sources, Net	499,196	926,638	55,622	1,481,456	860,583	2,010,583	(529,127)
Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(271,806)	92,844	147,787	(31,175)	(2,652,461)	(2,531,461)	2,500,286
Balances - Beginning of Year, as reclassified	3,066,234	1,581,959	3,598,497	8,246,690	7,508,849	7,508,849	737,841
Balances - End of Year.....	\$ 2,794,428	\$ 1,674,803	\$ 3,746,284	\$ 8,215,515	\$ 4,856,388	\$ 4,977,388	\$ 3,238,127

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each major special revenue fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except internal service funds and fiduciary funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type activities and nonprogram. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service funds, capital projects funds and proprietary funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,150,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the general government and business-type activities functions.

Other Supplementary Information



Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds

Year Ended June 30, 2006

	Special Revenue					Employee Benefits	Permanent Tobin Trust	Capital Projects	
	NW TIF	SE TIF	SW TIF	Downtown #1 TIF	West #2 TIF			TEA 21	W TIF #1
Receipts									
Property taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 165,896	\$ —	\$ —	\$ —
TIF collections	36,603	88,261	16,852	16,612	15,344	—	—	—	—
Use of money and property	3,068	1,542	255	529	207	—	3,847	4,716	—
Special assessments	—	—	—	—	—	—	—	—	—
Intergovernmental	—	—	—	—	—	—	—	32,474	—
Miscellaneous	—	—	—	—	—	—	—	—	—
Total Receipts	<u>39,671</u>	<u>89,803</u>	<u>17,107</u>	<u>17,141</u>	<u>15,551</u>	<u>165,896</u>	<u>3,847</u>	<u>37,190</u>	<u>—</u>
Disbursements									
Capital Projects	—	—	—	—	—	—	—	<u>140,424</u>	<u>86</u>
Receipts Over (Under) Disbursements	<u>39,671</u>	<u>89,803</u>	<u>17,107</u>	<u>17,141</u>	<u>15,551</u>	<u>165,896</u>	<u>3,847</u>	<u>(103,234)</u>	<u>(86)</u>
Other Financing Sources (Uses)									
Debt proceeds	—	—	—	—	—	—	—	200,000	—
Transfers in	—	—	—	—	—	—	—	—	86
Transfers out	(35,834)	(85,781)	(15,898)	(13,110)	(27,614)	(165,896)	(3,847)	—	—
Other Financing Sources (Uses), Net	<u>(35,834)</u>	<u>(85,781)</u>	<u>(15,898)</u>	<u>(13,110)</u>	<u>(27,614)</u>	<u>(165,896)</u>	<u>(3,847)</u>	<u>200,000</u>	<u>86</u>
Increase (Decrease) in Cash Balances	3,837	4,022	1,209	4,031	(12,063)	—	—	96,766	—
Fund Balance - Beginning of Year	66,937	20,522	3,380	13,663	12,063	—	100,000	161,316	—
Fund Balance - End of Year	<u>\$ 70,774</u>	<u>\$ 24,544</u>	<u>\$ 4,589</u>	<u>\$ 17,694</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 100,000</u>	<u>\$ 258,082</u>	<u>\$ —</u>
Cash Basis Fund Balances									
Unreserved									
Special revenue funds	\$ 70,774	\$ 24,544	\$ 4,589	\$ 17,694	\$ —	\$ —	\$ —	\$ —	\$ —
Capital projects funds	—	—	—	—	—	—	—	258,082	—
Permanent fund	—	—	—	—	—	—	100,000	—	—
Total Cash Basis Fund Balances	<u>\$ 70,774</u>	<u>\$ 24,544</u>	<u>\$ 4,589</u>	<u>\$ 17,694</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 100,000</u>	<u>\$ 258,082</u>	<u>\$ —</u>

Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds

Year Ended June 30, 2006

	Capital Projects								
	W TIF #2	NW TIF	SE TIF #1	SW TIF	Flood Mitigation	FEMA Grant	Sidewalk Fund	Downtown Improvements	Total
Receipts									
Property taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 165,896
TIF collections	—	—	—	—	—	—	—	—	173,672
Use of money and property	—	262	5,446	1,141	1	—	1,382	998	23,394
Special assessments	—	—	—	—	—	—	120	—	120
Intergovernmental	—	—	—	—	60,614	96,983	—	—	190,071
Miscellaneous	—	—	50	12	—	—	—	385	447
Total Receipts	—	262	5,496	1,153	60,615	96,983	1,502	1,383	553,600
Disbursements									
Capital Projects	28,912	32	283,753	103,781	63,727	96,983	17,950	6,263	741,911
Receipts Over (Under) Disbursements	(28,912)	230	(278,257)	(102,628)	(3,112)	—	(16,448)	(4,880)	(188,311)
Other Financing Sources (Uses)									
Debt proceeds	—	—	—	—	—	—	—	—	200,000
Transfers in	27,672	—	10,608	3,659	3,112	—	22,845	—	67,982
Transfers out	—	(3,112)	(10,427)	(3,659)	—	—	—	(14,045)	(379,223)
Other Financing Sources (Uses), Net	27,672	(3,112)	181	—	3,112	—	22,845	(14,045)	(111,241)
Increase (Decrease) in Cash Balances	(1,240)	(2,882)	(278,076)	(102,628)	—	—	6,397	(18,925)	(299,552)
Fund Balance - Beginning of Year	1,240	7,694	328,889	112,325	—	—	41,877	31,663	901,569
Fund Balance - End of Year	\$ —	\$ 4,812	\$ 50,813	\$ 9,697	\$ —	\$ —	\$ 48,274	\$ 12,738	\$ 602,017
Cash Basis Fund Balances									
Unreserved									
Special revenue funds	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 117,601
Capital projects funds	—	4,812	50,813	9,697	—	—	48,274	12,738	384,416
Permanent fund	—	—	—	—	—	—	—	—	100,000
Total Cash Basis Fund Balances	\$ —	\$ 4,812	\$ 50,813	\$ 9,697	\$ —	\$ —	\$ 48,274	\$ 12,738	\$ 602,017

Statement of Indebtedness

Year Ended June 30, 2006

	Amount Originally Issued	Date of Issue	Interest Rate	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
Bonded Indebtedness								
General Obligation Bonds								
General Corporate Purpose	\$ 2,585,000	8-1-99	4.90 - 5.35%	\$ 2,175,000	\$ —	\$ 110,000	\$ 2,065,000	\$ 111,815
General Obligation Series 2004	635,000	5-1-04	3.00 - 3.50	<u>535,000</u>	<u>—</u>	<u>105,000</u>	<u>430,000</u>	<u>16,063</u>
Total General Obligation Bonds				<u>\$ 2,710,000</u>	<u>\$ —</u>	<u>\$ 215,000</u>	<u>\$ 2,495,000</u>	<u>\$ 127,878</u>
General Obligation Notes								
Library Refunding Series 2001	405,000	5-1-01	4.25	\$ 155,000	\$ —	\$ 75,000	\$ 80,000	\$ 6,550
General Corporate Purpose	1,390,000	11-1-03	2.00 - 4.15	1,340,000	—	85,000	1,255,000	43,875
General Corporate Purpose Series 2004	940,000	12-1-04	2.40 - 3.90	<u>940,000</u>	<u>—</u>	<u>50,000</u>	<u>890,000</u>	<u>45,821</u>
Total General Obligation Notes				<u>\$ 2,435,000</u>	<u>\$ —</u>	<u>\$ 210,000</u>	<u>\$ 2,225,000</u>	<u>\$ 96,246</u>
Water Revenue Bonds								
1997 Issue	1,590,000	5-1-97	5.00 - 5.35	\$ 900,000	\$ —	\$ 900,000	\$ —	\$ 47,200
2002 Issue	40,000	10-8-02	3.00	35,000	—	2,000	33,000	1,050
2006 Issue	1,150,000	5-1-06	3.80 - 4.20	<u>—</u>	<u>1,150,000</u>	<u>—</u>	<u>1,150,000</u>	<u>—</u>
Total Water Revenue Bonds				<u>\$ 935,000</u>	<u>\$ 1,150,000</u>	<u>\$ 902,000</u>	<u>\$ 1,183,000</u>	<u>\$ 48,250</u>
Nonbonded Indebtedness								
Real Estate Contract - Roller-Skating Rink	250,000	8-27-99	7.00	<u>\$ 19,997</u>	<u>\$ —</u>	<u>\$ 19,997</u>	<u>\$ —</u>	<u>\$ 700</u>
Rural Electric Cooperative	200,000	6-29-06	0.00 - 2.00	<u>\$ —</u>	<u>\$ 200,000</u>	<u>\$ —</u>	<u>\$ 200,000</u>	<u>\$ —</u>
Vinton Municipal Electric Utility (Component Unit)	253,000	6-30-03	0.00	<u>\$ 164,450</u>	<u>\$ —</u>	<u>\$ 50,600</u>	<u>\$ 113,850</u>	<u>\$ —</u>

Schedule of Bond and Note Maturities

At June 30, 2006

Year Ending June 30,	General Obligation Bonds				General Obligation Notes					
	General Obligation Corporate Purpose - 1999 Issued 8-1-99		General Obligation Refunding Series 2004 Issued 5-1-04		Library Refunding Issued 5-1-01		General Obligation Corporate Purpose - 2003 Issued 11-1-03		General Obligation Corporate Purpose - 2004 Issued 12-1-04	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2007	4.90%	\$ 115,000	3.00%	\$ 105,000	4.25%	\$ 80,000	2.00%	\$ 85,000	2.40%	\$ 75,000
2008	4.90	125,000	3.00	110,000		—	2.35	90,000	2.60	80,000
2009	4.90	130,000	3.25	110,000		—	2.60	90,000	2.85	80,000
2010	5.00	135,000	3.50	105,000		—	3.00	95,000	3.10	85,000
2011	5.00	140,000		—		—	3.25	100,000	3.25	85,000
2012	5.00	150,000		—		—	3.45	100,000	3.40	90,000
2013	5.10	155,000		—		—	3.55	105,000	3.60	95,000
2014	5.20	165,000		—		—	3.70	110,000	3.70	95,000
2015	5.25	175,000		—		—	3.80	115,000	3.80	100,000
2016	5.30	180,000		—		—	3.90	120,000	3.90	105,000
2017	5.35	190,000		—		—	4.05	120,000		—
2018	5.35	200,000		—		—	4.15	125,000		—
2019	5.35	205,000		—		—		—		—
Total		\$ 2,065,000		\$ 430,000		\$ 80,000		\$ 1,255,000		\$ 890,000

Year Ending June 30,	Revenue Bonds				Road Construction		Total
	Water Revenue Bonds - 2002 Issued 10-8-02		Water Revenue Bonds - 2006 Issued 5-1-06		Benton County REC Note Issued 6-29-06		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2007	3.00%	\$ 2,000	3.80%	\$ 100,000	0.00%	\$ 20,000	\$ 582,000
2008	3.00	2,000	3.85	115,000	0.00	20,000	542,000
2009	3.00	2,000	3.90	120,000	0.00	20,000	552,000
2010	3.00	2,000	3.95	125,000	0.00	20,000	567,000
2011	3.00	2,000	4.00	125,000	0.00	20,000	472,000
2012	3.00	2,000	4.05	130,000	2.00	19,207	491,207
2013	3.00	2,000	4.10	140,000	2.00	19,595	516,595
2014	3.00	2,000	4.15	145,000	2.00	19,990	536,990
2015	3.00	2,000	4.20	150,000	2.00	20,394	562,394
2016	3.00	2,000		—	2.00	20,814	427,814
2017	3.00	2,000		—		—	312,000
2018	3.00	2,000		—		—	327,000
2019	3.00	2,000		—		—	207,000
2020	3.00	2,000		—		—	2,000
2021	3.00	2,000		—		—	2,000
2022	3.00	3,000		—		—	3,000
Total		\$ 33,000		\$ 1,150,000		\$ 200,000	\$ 6,103,000

Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds

Years Ended June 30, 2003 Through 2006

	2006	2005	2004	2003
Receipts				
Property taxes	\$ 1,353,800	\$ 1,428,538	\$ 1,176,514	\$ 1,193,322
TIF collections	173,672	103,319	286,325	362,817
Other city tax	9,041	33,446	35,883	5,690
Licenses and permits.....	65,927	43,186	30,544	28,876
Use of money and property	143,821	84,941	54,364	65,198
Intergovernmental.....	837,498	870,086	661,409	618,648
Charges for service	515,668	676,383	871,064	397,436
Special assessments.....	29,919	—	—	—
Miscellaneous.....	<u>168,545</u>	<u>128,094</u>	<u>221,228</u>	<u>224,737</u>
Total Receipts	<u>\$ 3,297,891</u>	<u>\$ 3,367,993</u>	<u>\$ 3,337,331</u>	<u>\$ 2,896,724</u>
Disbursements				
Operating				
Public safety.....	\$ 671,404	\$ 623,284	\$ 593,137	\$ 577,930
Public works.....	651,511	1,248,657	804,914	641,163
Health and social services	15,003	10,489	11,329	—
Culture and recreation	719,368	780,496	898,418	727,448
Community and economic development.....	100,772	185,226	151,740	34,391
General government	370,014	313,619	302,776	287,959
Debt service.....	711,991	752,455	1,298,258	749,095
Capital projects.....	<u>828,830</u>	<u>311,993</u>	<u>804,941</u>	<u>649,346</u>
Total Disbursements	<u>\$ 4,068,893</u>	<u>\$ 4,226,219</u>	<u>\$ 4,865,513</u>	<u>\$ 3,667,332</u>

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Vinton, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City of Vinton, Iowa's basic financial statements, and have issued our report thereon dated September 15, 2006. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Vinton, Iowa'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 internal control over financial reporting that, in our judgment, could adversely affect the City'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 attached Schedule of Findings and Questioned Costs.

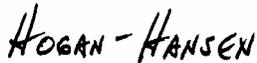
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being 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 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, we believe that reportable condition 06-IC-1 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Vinton, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and the use of the officials, employees and citizens of the City of Vinton, Iowa, and other parties to whom the City of Vinton may report. This report is not intended to be and should not be used by anyone other than these specified parties.



HOGAN - HANSEN

Waterloo, Iowa
September 15, 2006

Schedule of Findings and Questioned Costs

Part I: Findings Related to the Financial Statements

06-IC-1 Segregation of Duties

Finding - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that certain functions are not entirely segregated.

Auditor's Recommendation - With a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances, segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

City's Response - The Council is aware of the condition. We will review procedures and make changes when appropriate.

Auditor's Conclusion - Response accepted.

Part II: Compliance and Other Matters

06-C-1 Certified Budget - Disbursements during the year ended June 30, 2006 exceeded the amount budgeted in the general government and business-type activities functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation. In addition, we noted that enterprise fund debt repayments were incorrectly reported as part of the debt service fund.

Auditor's Recommendation - The budget should be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget. In the future, debt repayment expenditures for the enterprise funds should be budgeted under the business-type activity function rather than the debt-service function.

City's Response - In the past, the City has budgeted debt repayments for the water revenue bonds in the debt service program. This year the City refinanced our water revenue bonds and did a budget amendment increasing our debt service budget for this refinancing. The budget will be amended in the future, if applicable, and proprietary fund disbursements will be budgeted under the appropriate function.

Auditor's Conclusion - Response accepted.

06-C-2 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion.

06-C-3 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

Schedule of Findings and Questioned Costs

06-C-4 Business Transactions - Business transactions between the City of Vinton and City officials which may appear to be conflicts of interest are as follows:

Name, Title and Business Connection	Transaction Description	Amount
Three Rivers Insurance, Lisa Vermedahl, Council member, husband is owner of Three Rivers Insurance	Insurance coverage	\$ 3,175
F. Ronald Elwick, Council member, Owner of Elwick Electric	Parts and supplies	2,725

In accordance with Chapter 362.5 of the Code of Iowa, the transactions with Council members Vermedahl and Elwick may represent a conflict of interest since a competitive bidding process was not utilized and they were in excess of \$1,500.

Auditor's Recommendation - The City should use a competitive bidding process when practicable.

Response - Airport liability coverage was initially obtained from the above local agency before the owner was elected as a City official. Since airport liability coverage is not widely available and due to the amounts involved, we do not consider a competitive bidding process practicable.

We will use a competitive bidding process in the future or consider alternatives for the electric services noted above.

Conclusion - Response accepted.

06-C-5 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

06-C-6 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes that were not.

06-C-7 Deposits and Investments - We noted no instances of noncompliance with deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

06-C-8 Revenue Notes - The City appears to be in compliance with note resolutions.

06-C-9 Financial Condition - There were no funds that had a deficit balance at June 30, 2006.