

CITY OF VINTON, IOWA
JUNE 30, 2007
FINANCIAL STATEMENTS

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Officials

Name	Title	Term Expires
Elected Officials		
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
Andrew Lent	City Coordinator	Indefinite
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, 2007, 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 of Vinton's management. Our responsibility is to express opinions 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 our audit provides a reasonable basis for our opinions.

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 as of June 30, 2007, 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 January 16, 2008 on our consideration of the City of Vinton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing 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 23 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's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements and supplementary data. The financial statements and supplementary data for the years ended June 30, 2005 and 2004 (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 supplementary data. Other supplementary information included on Pages 24 through 28 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
January 16, 2008

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, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

Revenue of the City's governmental activities increased 70%, or approximately \$2,700,000, from fiscal 2006 to fiscal 2007. Property tax revenue increased by \$296,884, charges for services increased \$67,609 while TIF collections increased by \$4,557, debt proceeds increased by \$2,577,500 and net transfers decreased by \$31,023.

Disbursements increased 67.5%, or approximately \$2,700,000, in fiscal 2007 from fiscal 2006. Culture and recreation and debt service disbursements increased by approximately \$11,000 and \$2,200,000, respectively, while capital project disbursements increased by approximately \$500,000.

The City's total cash basis net assets decreased 10.5%, or approximately \$470,000, from June 30, 2006 to June 30, 2007. Of this amount, the assets of the governmental activities decreased approximately \$345,000 and the assets of the business-type activities decreased by approximately \$125,000.

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 \$2,794,428 a year ago to \$2,450,026. 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>	
	<u>2007</u>	<u>2006</u>
Receipts and Transfers		
Program Receipts		
Charges for service	\$ 649,204	\$ 581,595
Operating grants, contributions and restricted interest	489,739	482,381
Capital grants, contributions and restricted interest	23,140	355,117
General Receipts		
Property tax, TIF collections and other city taxes	1,838,018	1,536,513
Special assessments	27,850	29,919
Unrestricted interest on investments	154,661	143,821
Debt proceeds	2,777,500	200,000
Other general receipts	285,057	168,545
Sale of assets	33,000	75,834
Transfers, net	<u>192,339</u>	<u>223,362</u>
Total Receipts and Transfers	<u>6,470,508</u>	<u>3,797,087</u>
Disbursements		
Public safety	709,217	671,404
Public works	693,681	651,511
Health and social services	14,476	15,003
Culture and recreation	729,993	719,368
Community and economic development	65,423	100,772
General government	382,315	370,014
Debt service	2,880,614	711,991
Capital projects	<u>1,339,191</u>	<u>828,830</u>
Total Disbursements	<u>6,814,910</u>	<u>4,068,893</u>
Decrease in Cash Basis Net Assets	(344,402)	(271,806)
Cash Basis Net Assets - Beginning of Year	<u>2,794,428</u>	<u>3,066,234</u>
Cash Basis Net Assets - End of Year	<u>\$ 2,450,026</u>	<u>\$ 2,794,428</u>

The cost of all governmental activities this year was \$6,814,910 compared to \$4,068,893 last year. As shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was only \$5,652,827 because some of the cost was paid by those directly benefiting from the programs (\$649,204) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$512,879). The City paid for the remaining “public benefit” portion of governmental activities with approximately \$5,308,425 in debt proceeds and other general receipts.

Changes in Cash Basis Net Assets of Business-Type Activities

	<u>Year Ended June 30,</u>	
	2007	2006
Receipts		
Program Receipts		
Charges for Service		
Water utility	\$ 487,137	\$ 496,584
Wastewater treatment	426,252	398,281
Landfill/recycling	376,603	372,772
Operating Grants		
Landfill/recycling	7,000	31,750
General Receipts		
Unrestricted interest on investments	85,501	67,938
Other general receipts	14,666	5,931
Debt proceeds	<u>159,598</u>	<u>1,150,000</u>
Total Receipts	<u>1,556,757</u>	<u>2,523,256</u>
 Disbursements and Transfers		
Water utility	660,443	1,429,556
Wastewater treatment	410,944	442,132
Landfill/recycling	417,795	335,362
Transfers	<u>192,339</u>	<u>223,362</u>
Total Disbursements and Transfers	<u>1,681,521</u>	<u>2,430,412</u>
 Increase (Decrease) in Cash Basis Net Assets	(124,764)	92,844
Cash Basis Net Assets - Beginning of Year	<u>1,674,803</u>	<u>1,581,959</u>
 Cash Basis Net Assets - End of Year	<u>\$ 1,550,039</u>	<u>\$ 1,674,803</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Vinton completed the year, its governmental funds reported a combined fund balance of \$2,450,026, a decrease of \$344,402 from last year’s total of \$2,794,428. 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 \$126,864 from the prior year to \$894,095.
- The SAFETEA LU Capital Project Fund was established to account for a street construction project. At the end of the fiscal year, the cash balance was \$486,554. 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 decreased to \$451,607, primarily due to street and sidewalk projects completed and purchase of equipment.
- 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 \$142,247, a decrease of \$18,683 from the previous year.

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

- The water utility cash balance decreased by \$173,850 to \$383,901, due primarily to the purchase of a loader/backhoe for \$120,000.
- The wastewater treatment cash balance increased by \$54,193 to \$1,119,768.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 24, 2007.

DEBT ADMINISTRATION

At June 30, 2007, the City had \$6,346,000 in bonds and other long-term debt, compared to \$6,103,000 last year, as shown below:

Outstanding Debt at Year End

	<u>Year Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
General obligation bonds and notes	\$ 5,085,000	\$ 4,720,000
Water revenue bonds	1,081,000	1,183,000
Rural electric cooperative note	<u>180,000</u>	<u>200,000</u>
Total	<u>\$ 6,346,000</u>	<u>\$ 6,103,000</u>
Loan From Vinton Municipal Electric Utility (Component Unit)	<u>\$ 125,348</u>	<u>\$ 113,850</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 \$5,085,000 is below its constitutional debt limit of \$5,218,423.

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 2008 budget, tax rates and fees that will be charged for various City activities.

For 2008, 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, 2007

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	\$ 709,217	\$ 13,817	\$ 31,531	\$ —	\$ (663,869)	\$ —	\$ (663,869)	\$ —
Public works	693,681	41,749	425,225	23,140	(203,567)	—	(203,567)	—
Health and social services	14,476	—	9,252	—	(5,224)	—	(5,224)	—
Culture and recreation.....	729,993	221,107	23,731	—	(485,155)	—	(485,155)	—
Community and economic development.....	65,423	—	—	—	(65,423)	—	(65,423)	—
General government	382,315	372,531	—	—	(9,784)	—	(9,784)	—
Debt service	2,880,614	—	—	—	(2,880,614)	—	(2,880,614)	—
Capital projects	1,339,191	—	—	—	(1,339,191)	—	(1,339,191)	—
Total Governmental Activities	6,814,910	649,204	489,739	23,140	(5,652,827)	—	(5,652,827)	—
Business-Type Activities								
Water utility	660,443	487,137	—	—	—	(173,306)	(173,306)	—
Wastewater treatment.....	410,944	426,252	—	—	—	15,308	15,308	—
Landfill/recycling.....	417,795	376,603	7,000	—	—	(34,192)	(34,192)	—
Total Business-Type Activities.....	1,489,182	1,289,992	7,000	—	—	(192,190)	(192,190)	—
Total Primary Government	\$ 8,304,092	\$ 1,939,196	\$ 496,739	\$ 23,140	(5,652,827)	(192,190)	(5,845,017)	—
Component Unit								
Vinton Municipal Electric Utility	\$ 3,031,302	\$ 3,059,712	\$ —	\$ —	—	—	—	28,410
General Receipts								
Property Tax Levied for								
General purposes.....					807,447	—	807,447	—
Employee benefits.....					427,855	—	427,855	—
Tax increment financing.....					178,229	—	178,229	—
Debt service					415,382	—	415,382	—
Emergency fund.....					9,105	—	9,105	—
Special assessments.....					27,850	—	27,850	—
Unrestricted interest on investments					154,661	85,501	240,162	181,026
Debt proceeds					2,777,500	97,500	2,875,000	50,600
Miscellaneous.....					285,057	14,666	299,723	—
Sale of assets.....					33,000	—	33,000	—
Loan from component unit.....					—	62,098	62,098	—
Loan to primary government.....					—	—	—	(62,098)
Transfers in (out)					192,339	(192,339)	—	—
Total General Receipts and Transfers					5,308,425	67,426	5,375,851	169,528
Change in Cash Basis Net Assets					(344,402)	(124,764)	(469,166)	197,938
Cash Basis Net Assets - Beginning of Year					2,794,428	1,674,803	4,469,231	3,746,284
Cash Basis Net Assets - End of Year					\$ 2,450,026	\$ 1,550,039	\$ 4,000,065	\$ 3,944,222
Cash Basis Net Assets								
Restricted								
Streets.....					\$ 75,828	\$ —	\$ 75,828	\$ —
Urban renewal purposes.....					145,763	—	145,763	—
Debt service					142,247	252,227	394,474	—
Other purposes					1,192,093	—	1,192,093	—
Unrestricted					894,095	1,297,812	2,191,907	3,944,222
Total Cash Basis Net Assets					\$ 2,450,026	\$ 1,550,039	\$ 4,000,065	\$ 3,944,222

See accompanying notes to the financial statements.

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

As of and for the Year Ended June 30, 2007

	General	Capital Projects		Debt Service	Other Nonmajor Governmental Funds	Total
		General	SAFETEA LU			
Receipts						
Property taxes	\$ 807,447	\$ —	\$ —	\$ 415,382	\$ 427,855	\$ 1,650,684
TIF collections	—	—	—	—	178,229	178,229
Other city taxes.....	9,105	—	—	—	—	9,105
Licenses and permits.....	62,594	—	—	—	—	62,594
Use of money and property	58,551	32,202	23,780	35,696	26,032	176,261
Intergovernmental.....	87,654	—	—	—	425,225	512,879
Charges for service	565,010	—	—	—	—	565,010
Special assessments.....	—	—	—	27,780	70	27,850
Miscellaneous.....	113,274	50,676	242	—	120,865	285,057
Total Receipts	<u>1,703,635</u>	<u>82,878</u>	<u>24,022</u>	<u>478,858</u>	<u>1,178,276</u>	<u>3,467,669</u>
Disbursements						
Operating						
Public safety	709,217	—	—	—	—	709,217
Public works	315,580	—	—	—	378,101	693,681
Health and social services.....	14,476	—	—	—	—	14,476
Culture and recreation	729,993	—	—	—	—	729,993
Community and economic development	65,423	—	—	—	—	65,423
General government.....	382,315	—	—	—	—	382,315
Debt service.....	—	—	—	2,830,014	50,600	2,880,614
Capital projects.....	—	307,916	192,681	—	838,594	1,339,191
Total Disbursements	<u>2,217,004</u>	<u>307,916</u>	<u>192,681</u>	<u>2,830,014</u>	<u>1,267,295</u>	<u>6,814,910</u>
Receipts Under Disbursements	<u>(513,369)</u>	<u>(225,038)</u>	<u>(168,659)</u>	<u>(2,351,156)</u>	<u>(89,019)</u>	<u>(3,347,241)</u>
Other Financing Sources (Uses)						
Sale of capital assets.....	33,000	—	—	—	—	33,000
General obligation bond proceeds.....	—	108,800	397,131	2,189,869	81,700	2,777,500
Transfers in.....	635,583	28,350	—	142,604	355,544	1,162,081
Transfers out	(28,350)	(322,002)	—	—	(619,390)	(969,742)
Total Other Financing Sources (Uses)	<u>640,233</u>	<u>(184,852)</u>	<u>397,131</u>	<u>2,332,473</u>	<u>(182,146)</u>	<u>3,002,839</u>
Increase (Decrease) in Cash Balances	<u>126,864</u>	<u>(409,890)</u>	<u>228,472</u>	<u>(18,683)</u>	<u>(271,165)</u>	<u>(344,402)</u>
Cash Balance - Beginning of Year	<u>767,231</u>	<u>861,497</u>	<u>258,082</u>	<u>160,930</u>	<u>746,688</u>	<u>2,794,428</u>
Cash Balances - End of Year	<u>\$ 894,095</u>	<u>\$ 451,607</u>	<u>\$ 486,554</u>	<u>\$ 142,247</u>	<u>\$ 475,523</u>	<u>\$ 2,450,026</u>
Cash Basis Fund Balances						
Reserved						
Debt service.....	\$ —	\$ —	\$ —	\$ 142,247	\$ —	\$ 142,247
Unreserved						
General fund.....	894,095	—	—	—	—	894,095
Special revenue funds	—	—	—	—	221,591	221,591
Capital projects funds.....	—	451,607	486,554	—	153,932	1,092,093
Permanent fund.....	—	—	—	—	100,000	100,000
Total Cash Basis Fund Balances	<u>\$ 894,095</u>	<u>\$ 451,607</u>	<u>\$ 486,554</u>	<u>\$ 142,247</u>	<u>\$ 475,523</u>	<u>\$ 2,450,026</u>

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, 2007

	Water Utility	Wastewater Treatment	<u>Nonmajor Landfill/ Recycling</u>	Total
Operating Receipts				
Intergovernmental.....	\$ —	\$ —	\$ 7,000	\$ 7,000
Charges for service	487,137	426,252	376,603	1,289,992
Miscellaneous.....	1,071	13,367	228	14,666
Total Operating Receipts.....	<u>488,208</u>	<u>439,619</u>	<u>383,831</u>	<u>1,311,658</u>
Operating Disbursements				
Business-type activities	<u>507,438</u>	<u>338,736</u>	<u>417,795</u>	<u>1,263,969</u>
Operating Receipts Over (Under)				
Operating Disbursements	<u>(19,230)</u>	<u>100,883</u>	<u>(33,964)</u>	<u>47,689</u>
Nonoperating Receipts (Disbursements)				
Interest on investments	26,879	56,881	1,741	85,501
General obligation bond proceeds.....	—	97,500	—	97,500
Loan from component unit.....	—	—	62,098	62,098
Debt service.....	(153,005)	—	—	(153,005)
Capital projects.....	—	(72,208)	—	(72,208)
Net Nonoperating Receipts (Disbursements).....	<u>(126,126)</u>	<u>82,173</u>	<u>63,839</u>	<u>19,886</u>
Revenue Over (Under)				
Disbursements	<u>(145,356)</u>	<u>183,056</u>	<u>29,875</u>	<u>67,575</u>
Other Financing Sources (Uses)				
Operating transfers in.....	64,309	8,390	—	72,699
Operating transfers out.....	(92,803)	(137,253)	(34,982)	(265,038)
Total Other Financing Sources (Uses)	<u>(28,494)</u>	<u>(128,863)</u>	<u>(34,982)</u>	<u>(192,339)</u>
Net Change in Cash Balances.....	<u>(173,850)</u>	<u>54,193</u>	<u>(5,107)</u>	<u>(124,764)</u>
Cash Balances - Beginning of Year.....	557,751	1,065,575	51,477	1,674,803
Cash Balances - End of Year.....	<u>\$ 383,901</u>	<u>\$ 1,119,768</u>	<u>\$ 46,370</u>	<u>\$ 1,550,039</u>
Cash Basis Fund Balances				
Reserved for debt service.....	\$ 252,227	\$ —	\$ —	\$ 252,227
Unreserved	131,674	1,119,768	46,370	1,297,812
Total Cash Basis Fund Balances	<u>\$ 383,901</u>	<u>\$ 1,119,768</u>	<u>\$ 46,370</u>	<u>\$ 1,550,039</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, 2007

	Agency Funds
Receipts	
Deposits.....	<u>\$ 26,057</u>
Disbursements	
Interest.....	403
Refunds of deposits.....	<u>21,811</u>
Total Disbursements	<u>22,214</u>
Net Change in Cash Balances	3,843
Cash Balances - Beginning of Year.....	<u>60,759</u>
Cash Balances - End of Year	<u>\$ 64,602</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 (Capital Projects) 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 *SAFETEA LU Capital Projects Fund* is used to account for resources used for a specific street improvement project in the City.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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 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 *Agency Funds* are used to account for assets of the Utility and airport deposits 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, 2007, the City did not exceed the amounts budgeted.

(2) Deposits and Investments

The City's deposits in banks at June 30, 2007 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, 2007 were as follows:

United States Series HH Bonds	\$ 2,000
Cash and cash equivalents	<u>3,998,065</u>
Total	<u>\$ 4,000,065</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,	General Obligation Bonds and Notes		Water Revenue Bonds		Rural Electric Coop- erative Loan		Vinton Municipal Electric Utility			Total	
							From				
	Principal	Interest	Principal	Interest	Principal	Interest	From Road Use Tax Fund	From Landfill Fund	Principal	Interest	
2008	\$ 385,000	\$ 195,453	\$ 117,000	\$ 43,298	\$ 20,000	\$ —	\$ 50,600	\$ 5,163	\$ 2,432	\$ 577,763	\$ 241,183
2009	405,000	183,627	122,000	38,810	20,000	—	12,650	5,372	2,223	565,022	224,660
2010	420,000	170,276	127,000	34,070	20,000	—	—	5,588	2,007	572,588	206,353
2011	325,000	155,547	127,000	29,073	20,000	—	—	5,814	1,781	477,814	186,401
2012	335,000	143,759	132,000	24,013	19,207	1,860	—	6,049	1,546	492,256	171,178
2013-17	1,865,000	510,168	445,000	39,226	80,793	3,474	—	34,112	3,863	2,424,905	556,731
2018-22	1,140,000	176,138	11,000	1,050	—	—	—	—	—	1,151,000	177,188
2023-27	210,000	9,030	—	—	—	—	—	—	—	210,000	9,030
	<u>\$ 5,085,000</u>	<u>\$ 1,543,998</u>	<u>\$ 1,081,000</u>	<u>\$ 209,540</u>	<u>\$ 180,000</u>	<u>\$ 5,334</u>	<u>\$ 63,250</u>	<u>\$ 62,098</u>	<u>\$ 13,852</u>	<u>\$ 6,471,348</u>	<u>\$ 1,772,724</u>

On August 1, 2006, the City closed on \$2,875,000 general obligation bonds dated August 1, 2006. Proceeds were used to refund the 1999 general obligation bonds, pay debt issue costs and provide for city construction projects. The proceeds will be invested to pay debt service costs until the bonds are called on June 1, 2008 at face value. Maturity on the 2006 bonds is four years longer than the 1999 bonds. The extended maturity plus costs of issuance resulted in increased current future debt service costs of approximately \$179,632.

In the year ended June 30, 2006, 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.

Notes to the Financial Statements

(3) Bonds and Notes Payable

The 2006 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 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.
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, 2007.

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, 2007 and the Utility transferred \$62,098 to the City of Vinton to help finance the purchase of an aerial truck. The note payable balance was \$125,348 at June 30, 2007.

(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, 2007, 2006 and 2005 were \$106,764, \$99,763 and \$93,274, 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, 2007
Primary Government	
Vacation.....	\$ 36,000
Sick leave	280,000
	<u>\$ 316,000</u>

The liability has been computed based on rates of pay as of June 30, 2007.

Notes to the Financial Statements

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer To	Transfer From	Amount
General	Permanent	
	Tobin Trust	\$ 5,253
	Capital Projects	
	SE TIF #1	6,464
	SW TIF	3,633
	Special Revenue	
	Employee Benefits	427,855
	Enterprise	
	Water Utility	91,750
	Wastewater Treatment	65,646
	Landfill/Recycling	34,982
		<u>635,583</u>
Capital Projects		
General (CIP)	General	<u>28,350</u>
W TIF #2	Special Revenue	
	West TIF #2	563
	General Capital Projects	<u>269,263</u>
		<u>269,826</u>
SE TIF #1	Special Revenue	
	SE TIF	10,427
	Enterprise	
	Water Utility	1,053
	Wastewater Treatment	3,835
		<u>15,315</u>
SW TIF	Special Revenue	
	SW TIF	<u>7,664</u>
Sidewalk Fund	Special Revenue	
	Road Use Tax	10,000
	General Capital Projects	<u>37,239</u>
		<u>47,239</u>
Downtown Improvements	General Capital Projects	<u>15,500</u>
Debt Service	Special Revenue	
	NW TIF	35,135
	SE TIF	77,556
	SW TIF	13,340
	Downtown #1 TIF	13,110
	Enterprise	
	Wastewater Treatment	3,463
		<u>142,604</u>
Enterprise		
Water Utility	Enterprise	
	Wastewater Treatment	<u>64,309</u>
Wastewater Treatment	Special Revenue	
	Road Use Tax	<u>8,390</u>
Total		<u>\$ 1,234,780</u>

Notes to the Financial Statements

(6) Interfund Transfers

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

(7) 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 approximately \$1,400,000 was outstanding at June 30, 2007. 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.

(8) Related Party Transactions

The City had business transactions between the City and City officials or businesses owned by City officials totaling \$5,505 during the year ended June 30, 2007.

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 6.44% at June 30, 2007. 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	\$ 100,256
Amounts paid by the City for services	101,052
Payable from the City at year end for electric services	9,028
Loan proceeds advanced to the City	62,098
Amounts paid by the City for loan repayments	50,600
Note balance at year end	125,348
Payments received by the City for services received	217,456

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.

Notes to the Financial Statements

(8) Related Party Transactions

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	\$ 1,485,408
Cash payments to RPGI.....	1,462,169
Payable to RPGI at June 30, 2007	197,400
Investment in RPGI	22,768

(9) 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.

(10) Commitments and Subsequent Events

The City is involved in construction of capital assets, mainly streets, sanitary sewer lines and water mains. At June 30, 2007, the City was committed to approximately \$1,100,000 of construction and other contracts and equipment.

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

(11) Special Investigation

City officials were informed that a City employee was attempting to cash a check made payable to the City. The police department made a preliminary investigation and noted several suspicious items. The state auditor was engaged to do a special investigation which is on-going. Based on the preliminary investigation, the theft does not appear to be material and any loss is expected to be covered by the City's insurance.

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, 2007

	Governmental Funds - Actual	Enterprise Funds - Actual	Discretely Presented Component Unit - Actual	Net	Budgeted Amounts		Final to Net
					Original	Final	
Receipts							
Property taxes	\$ 1,650,684	\$ —	\$ —	\$ 1,650,684	\$ 1,636,601	\$ 1,636,601	\$ 14,083
TIF collections	178,229	—	—	178,229	174,149	174,149	4,080
Other city taxes.....	9,105	—	—	9,105	12,804	12,804	(3,699)
Licenses and permits.....	62,594	—	—	62,594	27,745	27,745	34,849
Use of money and property	176,261	85,501	181,026	442,788	135,420	135,420	307,368
Intergovernmental.....	512,879	7,000	—	519,879	1,325,166	1,325,166	(805,287)
Charges for service	565,010	1,289,992	3,046,543	4,901,545	5,079,592	5,079,592	(178,047)
Special assessments.....	27,850	—	—	27,850	20,000	20,000	7,850
Miscellaneous.....	285,057	14,666	13,169	312,892	250	250	312,642
Total Receipts.....	3,467,669	1,397,159	3,240,738	8,105,566	8,411,727	8,411,727	(306,161)
Disbursements							
Public safety	709,217	—	—	709,217	706,916	731,916	22,699
Public works	693,681	—	—	693,681	1,175,564	1,175,564	481,883
Health and social services.....	14,476	—	—	14,476	15,201	15,201	725
Culture and recreation.....	729,993	—	—	729,993	797,585	842,585	112,592
Community and economic development	65,423	—	—	65,423	21,900	76,900	11,477
General government.....	382,315	—	—	382,315	351,627	386,627	4,312
Debt service.....	2,880,614	—	—	2,880,614	818,053	2,968,053	87,439
Capital projects.....	1,339,191	—	—	1,339,191	1,835,125	1,835,125	495,934
Business-type activities	—	1,489,182	3,031,302	4,520,484	5,021,752	5,441,752	921,268
Total Disbursements.....	6,814,910	1,489,182	3,031,302	11,335,394	10,743,723	13,473,723	2,138,329
Receipts Over (Under) Disbursements.....	(3,347,241)	(92,023)	209,436	(3,229,828)	(2,331,996)	(5,061,996)	(1,832,168)
Other Financing Sources, Net	3,002,839	(32,741)	(11,498)	2,958,600	489,797	3,289,797	(331,197)
Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(344,402)	(124,764)	197,938	(271,228)	(1,842,199)	(1,772,199)	1,500,971
Balances - Beginning of Year	2,794,428	1,674,803	3,746,284	8,215,515	6,506,105	8,276,013	(60,498)
Balances - End of Year.....	\$ 2,450,026	\$ 1,550,039	\$ 3,944,222	\$ 7,944,287	\$ 4,663,906	\$ 6,503,814	\$ 1,440,473

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 \$2,730,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements did not exceed amounts budgeted.

Other Supplementary Information



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

Year Ended June 30, 2007

	Special Revenue						Employee Benefits	Permanent Tobin Trust	Capital Projects	
	Road Use Tax	NW TIF	SE TIF	SW TIF	Downtown #1 TIF	West #2 TIF			County Home Sewer Extension	W TIF #1
Receipts										
Property taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 427,855	\$ —	\$ —	\$ —
TIF collections	—	35,137	88,132	16,960	18,526	19,474	—	—	—	—
Use of money and property	—	3,917	2,242	266	858	445	—	5,253	7,946	843
Special assessments	425,225	—	—	—	—	—	—	—	—	—
Intergovernmental	—	—	—	—	—	—	—	—	—	—
Miscellaneous	—	—	—	—	—	—	—	—	120,000	—
Total Receipts	<u>425,225</u>	<u>39,054</u>	<u>90,374</u>	<u>17,226</u>	<u>19,384</u>	<u>19,919</u>	<u>427,855</u>	<u>5,253</u>	<u>127,946</u>	<u>843</u>
Disbursements										
Public works	378,101	—	—	—	—	—	—	—	—	—
Debt service	50,600	—	—	—	—	—	—	—	—	—
Capital projects	—	—	—	—	—	—	—	—	374,193	68,008
Total Disbursements	<u>428,701</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>374,193</u>	<u>68,008</u>
Receipts Over (Under) Disbursements	<u>(3,476)</u>	<u>39,054</u>	<u>90,374</u>	<u>17,226</u>	<u>19,384</u>	<u>19,919</u>	<u>427,855</u>	<u>5,253</u>	<u>(246,247)</u>	<u>(67,165)</u>
Other Financing Sources (Uses)										
Debt proceeds	—	—	—	—	—	—	—	—	—	81,700
Transfers in	—	—	—	—	—	—	—	—	—	—
Transfers out	(18,390)	(35,135)	(87,983)	(21,004)	(13,110)	(563)	(427,855)	(5,253)	—	—
Other Financing Sources (Uses), Net	<u>(18,390)</u>	<u>(35,135)</u>	<u>(87,983)</u>	<u>(21,004)</u>	<u>(13,110)</u>	<u>(563)</u>	<u>(427,855)</u>	<u>(5,253)</u>	<u>—</u>	<u>81,700</u>
Increase (Decrease) in Cash Balances	<u>(21,866)</u>	<u>3,919</u>	<u>2,391</u>	<u>(3,778)</u>	<u>6,274</u>	<u>19,356</u>	<u>—</u>	<u>—</u>	<u>(246,247)</u>	<u>14,535</u>
Fund Balance - Beginning of Year	97,694	70,774	24,544	4,589	17,694	—	—	100,000	305,059	—
Fund Balance - End of Year	<u>\$ 75,828</u>	<u>\$ 74,693</u>	<u>\$ 26,935</u>	<u>\$ 811</u>	<u>\$ 23,968</u>	<u>\$ 19,356</u>	<u>\$ —</u>	<u>\$ 100,000</u>	<u>\$ 58,812</u>	<u>\$ 14,535</u>
Cash Basis Fund Balances										
Unreserved										
Special revenue funds	\$ 75,828	\$ 74,693	\$ 26,935	\$ 811	\$ 23,968	\$ 19,356	\$ —	\$ —	\$ —	\$ —
Capital projects funds	—	—	—	—	—	—	—	—	58,812	14,535
Permanent fund	—	—	—	—	—	—	—	100,000	—	—
Total Cash Basis Fund Balances	<u>\$ 75,828</u>	<u>\$ 74,693</u>	<u>\$ 26,935</u>	<u>\$ 811</u>	<u>\$ 23,968</u>	<u>\$ 19,356</u>	<u>\$ —</u>	<u>\$ 100,000</u>	<u>\$ 58,812</u>	<u>\$ 14,535</u>

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

Year Ended June 30, 2007

	Capital Projects						Total
	W TIF #2	NW TIF	SE TIF #1	SW TIF	Sidewalk Fund	Downtown Improvements	
Receipts							
Property taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 427,855
TIF collections	—	—	—	—	—	—	178,229
Use of money and property	—	229	1,665	—	1,848	520	26,032
Intergovernmental.....	—	—	—	—	—	—	425,225
Special assessments.....	—	—	—	—	70	—	70
Miscellaneous.....	—	—	—	—	865	—	120,865
Total Receipts.....	—	229	1,665	—	2,783	520	1,178,276
Disbursements							
Public works	—	—	—	—	—	—	378,101
Debt service.....	—	—	—	—	—	—	50,600
Capital projects.....	269,826	—	31,032	13,728	62,448	19,359	838,594
Total Disbursements.....	269,826	—	31,032	13,728	62,448	19,359	1,267,295
Receipts Over (Under) Disbursements.....	(269,826)	229	(29,367)	(13,728)	(59,665)	(18,839)	(89,019)
Other Financing Sources (Uses)							
Debt proceeds	—	—	—	—	—	—	81,700
Transfers in.....	269,826	—	15,315	7,664	47,239	15,500	355,544
Transfers out	—	—	(6,464)	(3,633)	—	—	(619,390)
Other Financing Sources (Uses), Net.....	269,826	—	8,851	4,031	47,239	15,500	(182,146)
Increase (Decrease) in Cash Balances.....	—	229	(20,516)	(9,697)	(12,426)	(3,339)	(271,165)
Fund Balance - Beginning of Year.....	—	4,812	50,813	9,697	48,274	12,738	746,688
Fund Balance - End of Year.....	\$ —	\$ 5,041	\$ 30,297	\$ —	\$ 35,848	\$ 9,399	\$ 475,523
Cash Basis Fund Balances							
Unreserved							
Special revenue funds.....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 221,591
Capital projects funds.....	—	5,041	30,297	—	35,848	9,399	153,932
Permanent fund.....	—	—	—	—	—	—	100,000
Total Cash Basis Fund Balances.....	\$ —	\$ 5,041	\$ 30,297	\$ —	\$ 35,848	\$ 9,399	\$ 475,523

Schedule of Indebtedness

Year Ended June 30, 2007

	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%	\$ 2,065,000	\$ —	\$ 2,065,000	\$ —	\$ —
General Obligation Series 2004.....	635,000	5-1-04	3.00 - 3.50	430,000	—	105,000	325,000	13,700
General Obligation Corporate Purpose Series 2006 ...	2,875,000	8-1-06	4.13 - 4.30	<u>—</u>	<u>2,875,000</u>	<u>100,000</u>	<u>2,775,000</u>	<u>100,400</u>
Total General Obligation Bonds				<u>\$ 2,495,000</u>	<u>\$ 2,875,000</u>	<u>\$ 2,270,000</u>	<u>\$ 3,100,000</u>	<u>\$ 114,100</u>
General Obligation Notes								
Library Refunding Series 2001	405,000	5-1-01	4.25	\$ 80,000	\$ —	\$ 80,000	\$ —	\$ 3,400
General Corporate Purpose.....	1,390,000	11-1-03	2.35 - 4.15	1,255,000	—	85,000	1,170,000	42,600
General Corporate Purpose Series 2004.....	940,000	12-1-04	2.60 - 3.90	<u>890,000</u>	<u>—</u>	<u>75,000</u>	<u>815,000</u>	<u>29,447</u>
Total General Obligation Notes				<u>\$ 2,225,000</u>	<u>\$ —</u>	<u>\$ 240,000</u>	<u>\$ 1,985,000</u>	<u>\$ 75,447</u>
Water Revenue Bonds								
2002 Issue	40,000	10-8-02	3.00	\$ 33,000	\$ —	\$ 2,000	\$ 31,000	\$ 990
2006 Issue	1,150,000	5-1-06	3.85 - 4.20	<u>1,150,000</u>	<u>—</u>	<u>100,000</u>	<u>1,050,000</u>	<u>50,015</u>
Total Water Revenue Bonds				<u>\$ 1,183,000</u>	<u>\$ —</u>	<u>\$ 102,000</u>	<u>\$ 1,081,000</u>	<u>\$ 51,005</u>
Nonbonded Indebtedness								
Rural Electric Cooperative	200,000	6-29-06	0.00 - 2.00	<u>\$ 200,000</u>	<u>\$ —</u>	<u>\$ 20,000</u>	<u>\$ 180,000</u>	<u>\$ —</u>
Vinton Municipal Electric Utility (Component Unit)	253,000	6-30-03	0.00	<u>\$ 113,850</u>	<u>\$ 62,098</u>	<u>\$ 50,600</u>	<u>\$ 125,348</u>	<u>\$ —</u>

Schedule of Bond and Note Maturities

At June 30, 2007

Year Ending June 30,	General Obligation Bonds				General Obligation Notes			
	General Obligation Refunding Series 2004		General Obligation Corporate Purpose - 2006		General Obligation Corporate Purpose - 2003		General Obligation Corporate Purpose - 2004	
	Issued 5-1-04		Issued 8-1-06		Issued 11-1-03		Issued 12-1-04	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2008.....	3.00%	\$ 110,000	4.13%	\$ 105,000	2.35%	\$ 90,000	2.60%	\$ 80,000
2009.....	3.25	110,000	4.13	125,000	2.60	90,000	2.85	80,000
2010.....	3.50	105,000	4.13	135,000	3.00	95,000	3.10	85,000
2011.....		—	4.13	140,000	3.25	100,000	3.25	85,000
2012.....		—	4.13	145,000	3.45	100,000	3.40	90,000
2013.....		—	4.13	160,000	3.55	105,000	3.60	95,000
2014.....		—	4.13	165,000	3.70	110,000	3.70	95,000
2015.....		—	4.13	180,000	3.80	115,000	3.80	100,000
2016.....		—	4.13	195,000	3.90	120,000	3.90	105,000
2017.....		—	4.25	200,000	4.05	120,000		—
2018.....		—	4.25	215,000	4.15	125,000		—
2019.....		—	4.25	220,000		—		—
2020.....		—	4.25	195,000		—		—
2021.....		—	4.25	205,000		—		—
2022.....		—	4.25	180,000		—		—
2023.....		—	4.30	210,000		—		—
Total.....		\$ 325,000		\$ 2,775,000		\$ 1,170,000		\$ 815,000

Year Ending June 30,	Revenue Bonds				Road Construction		Total
	Water Revenue Bonds - 2002		Water Revenue Bonds - 2007		Benton County REC Note		
	Issued 10-8-02		Issued 5-1-06		Issued 6-29-06		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2008.....	3.00%	\$ 2,000	3.85%	\$ 115,000	0.00%	\$ 20,000	\$ 522,000
2009.....	3.00	2,000	3.90	120,000	0.00	20,000	547,000
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	486,207
2013.....	3.00	2,000	4.10	140,000	2.00	19,595	521,595
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	567,394
2016.....	3.00	2,000		—	2.00	20,814	442,814
2017.....	3.00	2,000		—		—	322,000
2018.....	3.00	2,000		—		—	342,000
2019.....	3.00	2,000		—		—	222,000
2020.....	3.00	2,000		—		—	197,000
2021.....	3.00	2,000		—		—	207,000
2022.....	3.00	3,000		—		—	183,000
2023.....		—		—		—	210,000
Total.....		\$ 31,000		\$ 1,050,000		\$ 180,000	\$ 6,346,000

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

Years Ended June 30, 2004 Through 2007

	2007	2006	2005	2004
Receipts				
Property taxes	\$ 1,650,684	\$ 1,353,800	\$ 1,428,538	\$ 1,176,514
TIF collections	178,229	173,672	103,319	286,325
Other city tax	9,105	9,041	33,446	35,883
Licenses and permits.....	62,594	65,927	43,186	30,544
Use of money and property	176,261	143,821	84,941	54,364
Intergovernmental.....	512,879	837,498	870,086	661,409
Charges for service	565,010	515,668	676,383	871,064
Special assessments.....	27,850	29,919	—	—
Miscellaneous.....	<u>285,057</u>	<u>168,545</u>	<u>128,094</u>	<u>221,228</u>
Total Receipts	<u>\$ 3,467,669</u>	<u>\$ 3,297,891</u>	<u>\$ 3,367,993</u>	<u>\$ 3,337,331</u>
Disbursements				
Operating				
Public safety.....	\$ 709,217	\$ 671,404	\$ 623,284	\$ 593,137
Public works.....	693,681	651,511	1,248,657	804,914
Health and social services	14,476	15,003	10,489	11,329
Culture and recreation	729,993	719,368	780,496	898,418
Community and economic development.....	65,423	100,772	185,226	151,740
General government	382,315	370,014	313,619	302,776
Debt service.....	2,880,614	711,991	752,455	1,298,258
Capital projects.....	<u>1,339,191</u>	<u>828,830</u>	<u>311,993</u>	<u>804,941</u>
Total Disbursements	<u>\$ 6,814,910</u>	<u>\$ 4,068,893</u>	<u>\$ 4,226,219</u>	<u>\$ 4,865,513</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 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, 2007, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 16, 2008. Our report expressed unqualified opinions 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's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Vinton's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Vinton's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Vinton's ability to initiate, authorize, record, process or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Vinton's financial statements that is more than inconsequential will not be prevented or detected by the City of Vinton's internal control. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Vinton's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Vinton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 or other matters 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, 2007 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.

The City of Vinton's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Vinton's responses and, accordingly, we express no opinion on them.

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 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

HOGAN - HANSEN

Waterloo, Iowa
January 16, 2008

Schedule of Findings and Questioned Costs

Part I: Findings Related to the Financial Statements

07-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

07-C-1 Certified Budget - Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted.

07-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.

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

07-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	\$ 2,675
F. Ronald Elwick, Council member, Owner of Elwick Electric	Parts and supplies	2,830

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.

Schedule of Findings and Questioned Costs ---

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.

- 07-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.
- 07-C-6 Council Minutes** - No transactions were found that we believe should have been approved in the Council minutes that were not.
- 07-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.
- 07-C-8 Revenue Notes** - The City appears to be in compliance with note resolutions.