

CITY OF VINTON, IOWA
JUNE 30, 2008
FINANCIAL STATEMENTS

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Officials

Name	Title	Term Expires
Elected Officials - Prior to January 1, 2008		
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
Elected Officials - After January 1, 2008		
John R. Watson	Mayor	January 1, 2010
Ron Hessenius	Council member - 1st Ward	January 1, 2010
F. Ronald Elwick	Council member - 2nd Ward	January 1, 2012
Bud Maynard	Council member - 3rd Ward	January 1, 2010
Lisa Vermedahl	Council member - 4th Ward	January 1, 2012
David Redlinger	Council member at large	January 1, 2010
Don Burkey	Council member at large	January 1, 2012
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, 2008, 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.

As disclosed in Note 1, the major Capital Projects Fund - Miscellaneous has reported operating receipts and disbursements of \$9,820 and \$9,620, respectively, which should have been reported in the General Fund.

In our opinion, except for the effects of reporting operating transactions in the major Capital Projects Fund - Miscellaneous as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects the changes in cash basis financial position of the Capital Projects - Miscellaneous major governmental fund of the City of Vinton for the year ended June 30, 2008 in conformity with the basis of accounting described in Note 1.

In addition, 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, 2008, and the respective changes in the cash basis financial position of the governmental activities, the business-type activities, the discretely presented component unit, the General Fund, the Road Use Tax Fund, the Debt Service Fund, the SAFETEA LU Fund, the Water Utility Fund, the Wastewater Treatment Fund, the Landfill/Recycling Fund and the aggregate remaining fund information of the City of Vinton 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 9, 2009 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.

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 years ended June 30, 2007 and 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 year ended June 30, 2005 (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 an unqualified opinion on those financial statements and supplementary data. Other supplementary information included on Pages 24 through 28, and the Schedule of Expenditures of Federal Awards on Page 33 required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, 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 9, 2009

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, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities decreased 40%, or approximately \$2,526,000, from fiscal 2007 to fiscal 2008. Property tax receipts, including TIF collections, decreased by \$41,744, charges for services increased \$76,615, grants, contributions and restricted interest increased by \$596,808 and debt proceeds decreased by \$2,777,500.

Disbursements decreased 32%, or approximately \$2,158,000, in fiscal 2008 from fiscal 2007. Debt service disbursements decreased by approximately \$106,000 while capital project disbursements increased by approximately \$67,000. Fiscal 2007 reported debt refunding disbursements of \$2,122,417 while none were reported for fiscal 2008.

The City's total cash basis net assets decreased 18.5%, or approximately \$740,000, from June 30, 2007 to June 30, 2008. Of this amount, the assets of the governmental activities decreased approximately \$713,000 and the assets of the business-type activities decreased by approximately \$27,000.

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 and federal awards expended.

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, health and social services, 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, wastewater treatment utilities and landfill/recycling operations. 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 \$2,450,026 a year ago to \$1,737,510. 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>2008</u>	<u>2007</u>
Receipts and Transfers		
Program Receipts		
Charges for service	\$ 663,225	\$ 586,610
Operating grants, contributions and restricted interest	595,484	489,739
Capital grants, contributions and restricted interest	514,203	23,140
General Receipts		
Property tax, TIF collections and other city taxes	1,796,274	1,838,018
Special assessments	34,916	27,850
Licenses		
Permits and franchise fees	63,122	62,594
Unrestricted interest on investments	29,248	154,661
Debt proceeds	—	2,777,500
Other general receipts	10,169	285,057
Sale of assets	30,000	33,000
Transfers, net	<u>208,251</u>	<u>192,339</u>
Total Receipts and Transfers	<u>3,944,892</u>	<u>6,470,508</u>
Disbursements		
Public safety	752,390	709,217
Public works	710,570	693,681
Health and social services	12,585	14,476
Culture and recreation	709,141	729,993
Community and economic development	16,423	65,423
General government	397,033	382,315
Debt service	652,727	758,187
Capital projects	1,406,539	1,339,191
Other financing use - debt refunding	—	2,122,427
Total Disbursements	<u>4,657,408</u>	<u>6,814,910</u>
Decrease in Cash Basis Net Assets	(712,516)	(344,402)
Cash Basis Net Assets - Beginning of Year	<u>2,450,026</u>	<u>2,794,428</u>
Cash Basis Net Assets - End of Year	<u>\$ 1,737,510</u>	<u>\$ 2,450,026</u>

The cost of all governmental activities this year was \$4,657,408 compared to \$4,692,493 (excluding debt refunding disbursement) last year. As shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was only \$2,884,496 because some of the cost was paid by those directly benefiting from the programs (\$663,225) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$1,109,687). The City paid for the remaining “public benefit” portion of governmental activities with \$1,963,729 in general receipts, \$208,251 in transfers from business-type activities and \$712,516 in prior year cash balances carried forward primarily from prior year debt proceeds.

Changes in Cash Basis Net Assets of Business-Type Activities

	Year Ended June 30,	
	2008	2007
Receipts		
Charges for Service		
Water utility	\$ 484,445	\$ 487,137
Wastewater treatment	477,763	426,252
Landfill/recycling	388,886	376,603
Operating Grants, Interest and Other		
Water utility	23,174	27,950
Wastewater treatment	54,652	70,248
Landfill/recycling	8,901	8,969
Debt Proceeds		
Wastewater treatment	—	97,500
Landfill/recycling	—	62,098
Total Receipts	1,437,821	1,556,757
Disbursements and Transfers		
Water utility	580,672	660,443
Wastewater treatment	313,561	410,944
Landfill/recycling	362,395	417,795
Transfers	208,251	192,339
Total Disbursements and Transfers	1,464,879	1,681,521
Decrease in Cash Basis Net Assets	(27,058)	(124,764)
Cash Basis Net Assets - Beginning of Year	1,550,039	1,674,803
Cash Basis Net Assets - End of Year	\$ 1,522,981	\$ 1,550,039

Component Unit Financial Statements

Please refer to separately issued financial statements of the component unit, Vinton Municipal Electric Utility.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Vinton completed the year, its governmental funds reported a combined fund balance of \$1,737,510, a decrease of \$712,516 from last year's total of \$2,450,026. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$12,700 from the prior year to \$881,395.
- The Road Use Tax Special Revenue Fund decreased \$25,553 from the prior year to \$50,275 primarily due to a loan repayment to the Vinton Municipal Electric Utility.
- The Capital Projects Fund - Miscellaneous was established to account for major capital projects within the City. The cash balance at the end of the fiscal year decreased \$175,872 to \$275,735 primarily due to transfers to the SAFETEA LU.
- The SAFETEA LU Capital Project Fund was established to account for street construction projects which are partially funded with intergovernmental grants. At the end of the fiscal year, the cash balance was \$54,385, a decrease of \$432,169 from the prior year due to payment of construction costs.
- 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 \$110,492, a decrease of \$31,755 from the previous year.

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

- The water utility cash balance decreased by \$112,562 to \$271,339, due primarily to the transfers of \$86,439 to the General Fund.
- The wastewater treatment cash balance increased by \$85,112 to \$1,204,880.
- The landfill/recycling cash balance increased by \$392 to \$46,762.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 22, 2008. Cash disbursements exceeded amounts budgeted in the general government, debt service and capital projects functions.

DEBT ADMINISTRATION

At June 30, 2008, the City had \$5,824,000 in bonds and other long-term debt, compared to \$6,346,000 last year, as shown below:

Outstanding Debt at Year End

	<u>Year Ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
General obligation bonds and notes	\$ 4,700,000	\$ 5,085,000
Water revenue bonds	964,000	1,081,000
Rural electric cooperative note	<u>160,000</u>	<u>180,000</u>
Total	<u>\$ 5,824,000</u>	<u>\$ 6,346,000</u>
Loans From Vinton Municipal Electric Utility (Component Unit)	<u>\$ 72,192</u>	<u>\$ 125,348</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 \$4,860,000 is below its constitutional debt limit of \$9,631,824.

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 2009 budget, tax rates and fees that will be charged for various City activities.

For 2009 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, 2008

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.....	\$ 752,390	\$ 18,509	\$ 38,744	\$ —	\$ (695,137)	\$ —	\$ (695,137)	\$ —
Public works.....	710,570	106,979	440,598	—	(162,993)	—	(162,993)	—
Health and social services.....	12,585	—	4,448	—	(8,137)	—	(8,137)	—
Culture and recreation.....	709,141	234,422	67,382	—	(407,337)	—	(407,337)	—
Community and economic development.....	16,423	5	4,484	—	(11,934)	—	(11,934)	—
General government.....	397,033	303,310	14,402	—	(79,321)	—	(79,321)	—
Debt service.....	652,727	—	8,370	—	(644,357)	—	(644,357)	—
Capital projects.....	1,406,539	—	17,056	514,203	(875,280)	—	(875,280)	—
Total Governmental Activities.....	4,657,408	663,225	595,484	514,203	(2,884,496)	—	(2,884,496)	—
Business-Type Activities								
Water utility.....	580,672	484,445	23,174	—	—	(73,053)	(73,053)	—
Wastewater treatment.....	313,561	477,763	54,652	—	—	218,854	218,854	—
Landfill/recycling.....	362,395	388,886	8,901	—	—	35,392	35,392	—
Total Business-Type Activities.....	1,256,628	1,351,094	86,727	—	—	181,193	181,193	—
Total Primary Government.....	\$ 5,914,036	\$ 2,014,319	\$ 682,211	\$ 514,203	(2,884,496)	181,193	(2,703,303)	—
Component Unit								
Vinton Municipal Electric Utility.....	\$ 3,305,070	\$ 3,225,576	\$ —	\$ —	—	—	—	(79,494)
General Receipts								
Property Tax Levied for								
General purposes.....					790,735	—	790,735	—
Employee benefits.....					398,115	—	398,115	—
Tax increment financing.....					269,535	—	269,535	—
Debt service.....					328,811	—	328,811	—
Emergency fund.....					9,078	—	9,078	—
Special assessments.....					34,916	—	34,916	—
Licenses, permits and franchise fees.....					63,122	—	63,122	—
Unrestricted interest on investments.....					29,248	—	29,248	174,244
Debt repayment.....					—	—	—	53,156
Miscellaneous.....					10,169	—	10,169	36,243
Sale of assets.....					30,000	—	30,000	—
Transfers.....					208,251	(208,251)	—	—
Total General Receipts and Transfers.....					2,171,980	(208,251)	1,963,729	263,643
Change in Cash Basis Net Assets.....					(712,516)	(27,058)	(739,574)	184,149
Cash Basis Net Assets - Beginning of Year.....					2,450,026	1,550,039	4,000,065	3,944,222
Cash Basis Net Assets - End of Year.....					\$ 1,737,510	\$ 1,522,981	\$ 3,260,491	\$ 4,128,371
Cash Basis Net Assets								
Restricted								
Streets.....					\$ 50,275	\$ —	\$ 50,275	\$ —
Urban renewal purposes.....					209,963	—	209,963	—
Debt service.....					110,492	217,422	327,914	—
Other purposes.....					100,000	—	100,000	—
Unrestricted.....					1,266,780	1,305,559	2,572,339	4,128,371
Total Cash Basis Net Assets.....					\$ 1,737,510	\$ 1,522,981	\$ 3,260,491	\$ 4,128,371

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, 2008

	General Fund	Special Revenue - Road Use Tax	Debt Service	Capital Projects		Other Nonmajor Governmental Funds	Total
				Miscellaneous	SAFETEA LU		
Receipts							
Property taxes	\$ 799,813	\$ —	\$ 328,811	\$ —	\$ —	\$ 398,115	\$ 1,526,739
TIF collections	—	—	—	—	—	269,535	269,535
Licenses and permits.....	63,122	—	—	—	—	—	63,122
Use of money and property	35,969	—	8,370	9,411	2,257	14,173	70,180
Intergovernmental.....	57,336	437,102	—	7,500	489,559	—	991,497
Charges for service	657,860	—	—	—	—	—	657,860
Special assessments.....	—	—	33,924	—	—	992	34,916
Miscellaneous.....	73,288	—	—	2,360	16,099	1,045	92,792
Total Receipts.....	1,687,388	437,102	371,105	19,271	507,915	683,860	3,706,641
Disbursements							
Operating							
Public Safety	752,390	—	—	—	—	—	752,390
Public Works	307,117	403,453	—	—	—	—	710,570
Health and Social Services	12,585	—	—	—	—	—	12,585
Culture and Recreation	709,141	—	—	—	—	—	709,141
Community and Economic Development.....	16,423	—	—	—	—	—	16,423
General Government.....	397,033	—	—	—	—	—	397,033
Debt Service	—	50,600	602,127	—	—	—	652,727
Capital Projects	—	—	—	10,623	1,140,084	255,832	1,406,539
Total Disbursements.....	2,194,689	454,053	602,127	10,623	1,140,084	255,832	4,657,408
Receipts Over (Under) Disbursements.....	(507,301)	(16,951)	(231,022)	8,648	(632,169)	428,028	(950,767)
Other Financing Sources (Uses)							
Sale of capital assets.....	30,000	—	—	—	—	—	30,000
Transfers in.....	626,181	—	199,267	15,480	200,000	152,100	1,193,028
Transfers out	(161,580)	(8,602)	—	(200,000)	—	(614,595)	(984,777)
Total Other Financing Sources (Uses).....	494,601	(8,602)	199,267	(184,520)	200,000	(462,495)	238,251
Decrease in Cash Balances.....	(12,700)	(25,553)	(31,755)	(175,872)	(432,169)	(34,467)	(712,516)
Cash Balance - Beginning of Year	894,095	75,828	142,247	451,607	486,554	399,695	2,450,026
Cash Balances - End of Year.....	\$ 881,395	\$ 50,275	\$ 110,492	\$ 275,735	\$ 54,385	\$ 365,228	\$ 1,737,510
Cash Basis Fund Balances							
Reserved							
Debt service	\$ —	\$ —	\$ 110,492	\$ —	\$ —	\$ —	\$ 110,492
Unreserved							
General Fund	881,395	—	—	—	—	—	881,395
Special Revenue Fund.....	—	50,275	—	—	—	209,963	260,238
Capital Projects Fund.....	—	—	—	275,735	54,385	55,265	385,385
Permanent Fund	—	—	—	—	—	100,000	100,000
Total Cash Basis Fund Balances.....	\$ 881,395	\$ 50,275	\$ 110,492	\$ 275,735	\$ 54,385	\$ 365,228	\$ 1,737,510

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, 2008

	Water Utility	Wastewater Treatment	Landfill/ Recycling	Total
Operating Receipts				
Charges for service	\$ 481,625	\$ 477,763	\$ 388,886	\$ 1,348,274
Miscellaneous.....	<u>7,306</u>	<u>215</u>	<u>967</u>	<u>8,488</u>
Total Operating Receipts.....	<u>488,931</u>	<u>477,978</u>	<u>389,853</u>	<u>1,356,762</u>
Operating Disbursements				
Business-type activities	<u>353,687</u>	<u>294,539</u>	<u>358,597</u>	<u>1,006,823</u>
Operating Receipts Over				
Operating Disbursements	<u>135,244</u>	<u>183,439</u>	<u>31,256</u>	<u>349,939</u>
Nonoperating Receipts (Disbursements)				
Intergovernmental.....	—	—	7,000	7,000
Interest on deposits	15,868	54,437	934	71,239
Rents	2,820	—	—	2,820
Debt service.....	(160,776)	—	(3,798)	(164,574)
Capital outlay.....	<u>(66,209)</u>	<u>(19,022)</u>	<u>—</u>	<u>(85,231)</u>
Net Nonoperating Receipts (Disbursements).....	<u>(208,297)</u>	<u>35,415</u>	<u>4,136</u>	<u>(168,746)</u>
Revenue Over (Under)				
Disbursements	<u>(73,053)</u>	<u>218,854</u>	<u>35,392</u>	<u>181,193</u>
Other Financing Sources (Uses)				
Transfers in.....	46,930	14,602	—	61,532
Transfers out	<u>(86,439)</u>	<u>(148,344)</u>	<u>(35,000)</u>	<u>(269,783)</u>
Total Other Financing Sources (Uses)	<u>(39,509)</u>	<u>(133,742)</u>	<u>(35,000)</u>	<u>(208,251)</u>
Net Change in Cash Balances.....	(112,562)	85,112	392	(27,058)
Cash Balances - Beginning of Year.....	<u>383,901</u>	<u>1,119,768</u>	<u>46,370</u>	<u>1,550,039</u>
Cash Balances - End of Year.....	<u>\$ 271,339</u>	<u>\$ 1,204,880</u>	<u>\$ 46,762</u>	<u>\$ 1,522,981</u>
Cash Basis Fund Balances				
Reserved for debt service.....	\$ 217,422	\$ —	\$ —	\$ 217,422
Unreserved.....	<u>53,917</u>	<u>1,204,880</u>	<u>46,762</u>	<u>1,305,559</u>
Total Cash Basis Fund Balances	<u>\$ 271,339</u>	<u>\$ 1,204,880</u>	<u>\$ 46,762</u>	<u>\$ 1,522,981</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, 2008

	Agency Funds
Receipts	
Deposits.....	<u>\$ 33,244</u>
Disbursements	
Interest.....	132
Refunds of deposits.....	<u>20,278</u>
Total Disbursements	<u>20,410</u>
Net Change in Cash Balances	12,834
Cash Balances - Beginning of Year.....	<u>64,602</u>
Cash Balances - End of Year	<u>\$ 77,436</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, health and social services, culture and recreation, community and economic development 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.

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.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Basis of Presentation

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:

General Fund

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.

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 the payment of interest and principal on the City's general long-term debt.

Capital Projects

The *Capital Projects Fund - Miscellaneous* 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. During the year ended June 30, 2008, operating disbursements of \$9,620 were reported as capital projects disbursements and related receipts of \$9,820 were reported in this fund which should be reported in the General Fund.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The *SAFETEA LU Fund* is used to account for resources used for specific street improvement projects in 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 City's solid waste collection and disposal 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 various utilities and airport deposits funds for future reimbursement held by the City in a trustee capacity.

Measurement Focus and Basis of Accounting

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

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the general government, debt service and capital projects functions.

(2) Deposits and Investments

The City's deposits in banks at June 30, 2008 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, 2008 were as follows:

United States Series HH Bonds	\$ 2,000
Cash and certificates of deposit	<u>3,335,927</u>
Total	<u>\$ 3,337,927</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	Road Use Tax Fund	From Landfill Fund	Principal	Interest	
2009	\$ 405,000	\$ 183,627	\$ 122,000	\$ 38,810	\$ 20,000	\$ —	\$ 12,650	\$ 7,979	\$ 3,413	\$ 567,629	\$ 225,850
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	1,547	492,256	171,179
2013	360,000	131,268	142,000	18,688	19,595	1,472	—	6,293	1,302	527,888	152,730
2014-18	1,845,000	436,255	305,000	20,868	61,198	2,002	—	27,819	2,563	2,239,017	461,688
2019-23	1,010,000	127,813	9,000	720	—	—	—	—	—	1,019,000	128,533
	<u>\$ 4,700,000</u>	<u>\$ 1,348,545</u>	<u>\$ 964,000</u>	<u>\$ 166,242</u>	<u>\$ 160,000</u>	<u>\$ 5,334</u>	<u>\$ 12,650</u>	<u>\$ 59,542</u>	<u>\$ 12,613</u>	<u>\$ 5,896,192</u>	<u>\$ 1,532,734</u>

The City has pledged future water customer receipts, net of specified operating disbursements, to repay water revenue bonds of \$40,000 issued in October, 2002 and \$1,150,000 issued in May, 2006. Proceeds from the bonds provided financing for the construction of water facilities and to refund Series 1997 water revenue bonds. The bonds are payable solely from water customer net receipts and are payable through 2022. The total principal and interest remaining to be paid on the bonds is \$1,130,242. For the current year, principal and interest paid and net receipts were \$160,297 and \$153,932, respectively.

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.

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 of 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 not in compliance with required covenants 2 and 4, above, for the year ended June 30, 2008.

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 interest-free to the City of Vinton to finance the building of a street garage. The City made principal repayments of \$50,600 during the year ended June 30, 2008. During the year ended June 30, 2007, the Utility transferred \$62,098 to the City of Vinton to help finance the purchase of an aerial truck. The City made repayment of \$3,798 during the year ended June 30, 2008 which included interest of \$1,242. The notes payable balances were \$12,650 and \$59,542, respectively, at June 30, 2008.

(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.

For the year ended June 30, 2008, most plan members were required to contribute 3.9% of their annual salary and the City was required to contribute 6.05% 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, 2008, 2007 and 2006 were \$114,704, \$106,764 and \$99,763, 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, 2008
Primary Government	
Vacation.....	\$ 44,000
Sick leave	287,000
	<u>\$ 331,000</u>

The liability has been computed based on rates of pay as of June 30, 2008.

Notes to the Financial Statements

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer To	Transfer From	Amount
General	Nonmajor Governmental	
	Special Revenue	\$ 434,023
	Permanent	5,209
	Enterprise	
	Water Utility	86,439
	Wastewater Treatment	65,510
	Landfill/Recycling	35,000
		<u>626,181</u>
Debt Service	Nonmajor Governmental	
	Special Revenue	149,933
	Enterprise	
	Wastewater Treatment	49,334
		<u>199,267</u>
Capital Projects		
Capital Projects - Miscellaneous	General	9,480
	Nonmajor Governmental	
	Special Revenue	6,000
		<u>15,480</u>
SAFETEA LU	Capital Projects	
	Capital Projects - Miscellaneous	<u>200,000</u>
Nonmajor Governmental		
Capital Projects Funds	General	<u>152,100</u>
Enterprise		
Water Utility	Nonmajor Governmental	
	Special Revenue	13,430
	Enterprise	
	Wastewater Treatment	33,500
		<u>46,930</u>
Wastewater Treatment	Special Revenue	
	Road Use Tax	8,602
	Nonmajor Governmental	
	Special Revenue	6,000
		<u>14,602</u>
Total		<u>\$ 1,254,560</u>

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

Notes to the Financial Statements

(7) Industrial Development Revenue Bonds and Hospital Revenue Bonds

The City has issued a total of \$1,560,000 of industrial development revenue bonds and \$6,800,000 of hospital revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the revenue of the businesses and hospital 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 \$5,870 during the year ended June 30, 2008.

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 6.39% at June 30, 2008. 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	\$ 118,469
Amounts paid by the City for services	116,994
Payable from the City at year end for electric services	10,503
Amounts paid by the City for loan repayments including interest of \$1,242	54,398
Note balances at year end.....	72,192
Payments received by the City for services received	211,858

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.

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.

Notes to the Financial Statements

(8) Related Party Transactions

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

Electricity purchased	\$ 1,904,833
Cash payments to RPGI.....	1,984,043
Payable to RPGI at June 30, 2008	118,190
Investment in RPGI	—
Share of RPGI net cash.....	207,673

(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

The City is involved in construction of capital assets, mainly streets, sanitary sewer lines and water mains, combination community center/storm shelter and airport runway rehabilitation. At June 30, 2008, the City was committed to approximately \$400,000 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, 2010.

(11) Special Investigation

On September 15, 2008, the Auditor of the State of Iowa released a report on a special investigation of the City of Vinton Parks and Recreation Department for the period July 19, 2001 through August 30, 2007. The investigation identified \$65,656.07 of undeposited collections and a \$24.37 improper disbursement. The City has initiated procedures to seek recovery from its insurance carrier.

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, 2008

	Governmental Funds - Actual	Enterprise Funds - Actual	Discretely Presented Component Unit - Actual	Net	Budgeted Amounts		Over (Under) Budget
					Original	Final	
Receipts							
Property taxes	\$ 1,526,739	\$ —	\$ —	\$ 1,526,739	\$ 1,502,772	\$ 1,502,772	\$ 23,967
TIF collections	269,535	—	—	269,535	219,415	219,415	50,120
Other city taxes.....	—	—	—	—	11,564	11,564	(11,564)
Licenses and permits.....	63,122	—	—	63,122	52,198	52,198	10,924
Use of money and property	70,180	74,059	174,244	318,483	198,699	198,699	119,784
Intergovernmental.....	991,497	7,000	—	998,497	1,140,665	1,140,665	(142,168)
Charges for service	657,860	1,348,274	3,225,576	5,231,710	4,631,096	4,631,096	600,614
Special assessments.....	34,916	—	—	34,916	20,000	20,000	14,916
Miscellaneous.....	92,792	8,488	36,243	137,523	150	150	137,373
Total Receipts.....	3,706,641	1,437,821	3,436,063	8,580,525	7,776,559	7,776,559	803,966
Disbursements							
Public Safety.....	752,390	—	—	752,390	768,428	778,428	(26,038)
Public Works.....	710,570	—	—	710,570	1,120,199	970,199	(259,629)
Health and Social Services.....	12,585	—	—	12,585	15,357	15,357	(2,772)
Culture and Recreation.....	709,141	—	—	709,141	801,370	831,370	(122,229)
Community and Economic Development	16,423	—	—	16,423	129,780	129,780	(113,357)
General Government.....	397,033	—	—	397,033	361,371	391,371	5,662
Debt Service	652,727	—	—	652,727	603,453	603,453	49,274
Capital Projects	1,406,539	—	—	1,406,539	707,661	1,307,661	98,878
Business-Type Activities.....	—	1,256,628	3,305,070	4,561,698	5,192,239	5,542,239	(980,541)
Total Disbursements.....	4,657,408	1,256,628	3,305,070	9,219,106	9,699,858	10,569,858	(1,350,752)
Receipts Over (Under) Disbursements.....	(950,767)	181,193	130,993	(638,581)	(1,923,299)	(2,793,299)	(2,154,718)
Other Financing Sources, Net	238,251	(208,251)	53,156	83,156	6,500	6,500	(76,656)
Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(712,516)	(27,058)	184,149	(555,425)	(1,916,799)	(2,786,799)	(2,231,374)
Balances - Beginning of Year	2,450,026	1,550,039	3,944,222	7,944,287	6,579,621	6,579,621	(1,364,666)
Balances - End of Year.....	\$ 1,737,510	\$ 1,522,981	\$ 4,128,371	\$ 7,388,862	\$ 4,662,822	\$ 3,792,822	\$ (3,596,040)

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 \$870,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the budget in the general government function due to higher costs than anticipated; the debt service function as principal paid to the component unit is budgeted as an other financing use and in the capital projects function as construction of the Maple Lane Storm Shelter and Community Center proceeded faster than expected.

Other Supplementary Information



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

Year Ended June 30, 2008

	Special Revenue							Permanent	
	FICA/ IPERS	Employee Benefits	NW TIF	SE TIF #1	West TIF #1	SW TIF	Downtown TIF	West TIF #2	Tobin Trust
Receipts									
Property taxes	\$ 133,800	\$ 264,315	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
TIF collections	—	—	54,073	121,740	35,013	20,595	18,670	19,444	—
Use of money and property	—	—	2,767	1,537	234	132	703	563	5,209
Special assessments	—	—	—	—	—	—	—	—	—
Miscellaneous	—	—	—	—	—	—	—	—	—
Total Receipts	133,800	264,315	56,840	123,277	35,247	20,727	19,373	20,007	5,209
Disbursements									
Capital projects	—	—	—	—	—	—	—	—	—
Receipts Over (Under) Disbursements	133,800	264,315	56,840	123,277	35,247	20,727	19,373	20,007	5,209
Other Financing Sources (Uses)									
Transfers in	—	—	—	—	—	—	—	—	—
Transfers out	(133,800)	(264,315)	(35,683)	(116,046)	(11,369)	(17,063)	(13,110)	(18,000)	(5,209)
Other Financing Sources (Uses)	(133,800)	(264,315)	(35,683)	(116,046)	(11,369)	(17,063)	(13,110)	(18,000)	(5,209)
Increase (Decrease) in Cash Balances	—	—	21,157	7,231	23,878	3,664	6,263	2,007	—
Fund Balance - Beginning of Year	—	—	74,693	26,935	—	811	23,968	19,356	100,000
Fund Balance - End of Year	\$ —	\$ —	\$ 95,850	\$ 34,166	\$ 23,878	\$ 4,475	\$ 30,231	\$ 21,363	\$ 100,000
Cash Basis Fund Balances									
Unreserved									
Special Revenue Funds	\$ —	\$ —	\$ 95,850	\$ 34,166	\$ 23,878	\$ 4,475	\$ 30,231	\$ 21,363	\$ —
Capital Projects Funds	—	—	—	—	—	—	—	—	—
Permanent Fund	—	—	—	—	—	—	—	—	100,000
Total Cash Basis Fund Balances	\$ —	\$ —	\$ 95,850	\$ 34,166	\$ 23,878	\$ 4,475	\$ 30,231	\$ 21,363	\$ 100,000

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

Year Ended June 30, 2008

	Capital Projects							Total
	County Home Sewer Extension	West TIF #1	SE TIF #1	NW TIF	Maple Lane Storm Shelter	Sidewalk Fund	Downtown Improvements	
Receipts								
Property taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 398,115
TIF collections	—	—	—	—	—	—	—	269,535
Use of money and property	358	323	659	139	261	1,033	255	14,173
Special assessments	—	—	—	—	—	992	—	992
Miscellaneous	—	—	—	—	—	—	1,045	1,045
Total Receipts	358	323	659	139	261	2,025	1,300	683,860
Disbursements								
Capital projects	54,578	13,692	26,369	—	152,331	5,173	3,689	255,832
Receipts Over (Under) Disbursements	(54,220)	(13,369)	(25,710)	139	(152,070)	(3,148)	(2,389)	428,028
Other Financing Sources (Uses)								
Transfers in	—	—	—	—	152,100	—	—	152,100
Transfers out	—	—	—	—	—	—	—	(614,595)
Other Financing Sources (Uses)	—	—	—	—	152,100	—	—	(462,495)
Increase (Decrease) in Cash Balances	(54,220)	(13,369)	(25,710)	139	30	(3,148)	(2,389)	(34,467)
Fund Balance - Beginning of Year	58,812	14,535	30,297	5,041	—	35,848	9,399	399,695
Fund Balance - End of Year	\$ 4,592	\$ 1,166	\$ 4,587	\$ 5,180	\$ 30	\$ 32,700	\$ 7,010	\$ 365,228
Cash Basis Fund Balances								
Unreserved								
Special Revenue Funds	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 209,963
Capital Projects Funds	4,592	1,166	4,587	5,180	30	32,700	7,010	55,265
Permanent Fund	—	—	—	—	—	—	—	100,000
Total Cash Basis Fund Balances	\$ 4,592	\$ 1,166	\$ 4,587	\$ 5,180	\$ 30	\$ 32,700	\$ 7,010	\$ 365,228

Schedule of Indebtedness

Year Ended June 30, 2008

	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								
Refunding Series 2004	\$ 635,000	5-1-04	3.25 - 3.50%	\$ 325,000	\$ —	\$ 110,000	\$ 215,000	\$ 10,550
Corporate Purpose and Refunding Series 2006	2,875,000	8-1-06	4.13 - 4.30	<u>2,775,000</u>	<u>—</u>	<u>105,000</u>	<u>2,670,000</u>	<u>116,355</u>
Total General Obligation Bonds				<u>\$ 3,100,000</u>	<u>\$ —</u>	<u>\$ 215,000</u>	<u>\$ 2,885,000</u>	<u>\$ 126,905</u>
General Obligation Notes								
Corporate Purpose Series 2003	1,390,000	11-1-03	2.60 - 4.15	\$ 1,170,000	\$ —	\$ 90,000	\$ 1,080,000	\$ 40,900
Corporate Purpose Series 2004	940,000	12-1-04	2.85 - 3.90	<u>815,000</u>	<u>—</u>	<u>80,000</u>	<u>735,000</u>	<u>27,648</u>
Total General Obligation Notes				<u>\$ 1,985,000</u>	<u>\$ —</u>	<u>\$ 170,000</u>	<u>\$ 1,815,000</u>	<u>\$ 68,548</u>
Water Revenue Bonds								
2002 Issue	40,000	10-8-02	3.00	\$ 31,000	\$ —	\$ 2,000	\$ 29,000	\$ 930
2006 Issue	1,150,000	5-1-06	3.90 - 4.20	<u>1,050,000</u>	<u>—</u>	<u>115,000</u>	<u>935,000</u>	<u>42,368</u>
Total Water Revenue Bonds				<u>\$ 1,081,000</u>	<u>\$ —</u>	<u>\$ 117,000</u>	<u>\$ 964,000</u>	<u>\$ 43,298</u>
Nonbonded Indebtedness								
Rural Electric Cooperative	200,000	6-29-06	0.00 - 2.00	<u>\$ 180,000</u>	<u>\$ —</u>	<u>\$ 20,000</u>	<u>\$ 160,000</u>	<u>\$ —</u>
Vinton Municipal Electric Utility (Component Unit)								
Street garage	253,000	6-30-03	0.00	\$ 63,250	\$ —	\$ 50,600	\$ 12,650	\$ —
Aerial truck	62,098	6-1-07	4.00	<u>62,098</u>	<u>—</u>	<u>2,556</u>	<u>59,542</u>	<u>1,242</u>
Total Vinton Municipal Electric Utility				<u>\$ 125,348</u>	<u>\$ —</u>	<u>\$ 53,156</u>	<u>\$ 72,192</u>	<u>\$ 1,242</u>

Schedule of Bond and Note Maturities

At June 30, 2008

Year Ending June 30,	General Obligation Bonds				General Obligation Notes			
	General Obligation Refunding Series 2004 Issued 5-1-04		General Obligation Corporate Purpose and Refunding Series 2006 Issued 8-1-06		General Obligation Corporate Purpose Series 2003 Issued 11-1-03		General Obligation Corporate Purpose Series 2004 Issued 12-1-04	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
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.....		\$ 215,000		\$ 2,670,000		\$ 1,080,000		\$ 735,000

Year Ending June 30,	Revenue Bonds				Benton County REC Note Road Construction		Vinton Municipal Electric Utility				
	Water Revenue Bonds - 2002 Issued 10-8-02		Water Revenue Bonds - 2008 Issued 5-1-06		Issued 6-29-06		Street Garage Issued 6-30-03		Aerial Truck Issued 6-1-07		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2009.....	3.00%	\$ 2,000	3.90%	\$ 120,000	0.00%	\$ 20,000	0.00%	\$ 12,650	4.00%	\$ 7,979	\$ 567,629
2010.....	3.00	2,000	3.95	125,000	0.00	20,000		—	4.00	5,588	572,588
2011.....	3.00	2,000	4.00	125,000	0.00	20,000		—	4.00	5,814	477,814
2012.....	3.00	2,000	4.05	130,000	2.00	19,207		—	4.00	6,049	492,256
2013.....	3.00	2,000	4.10	140,000	2.00	19,595		—	4.00	6,293	527,888
2014.....	3.00	2,000	4.15	145,000	2.00	19,990		—	4.00	6,548	543,538
2015.....	3.00	2,000	4.20	150,000	2.00	20,394		—	4.00	6,812	574,206
2016.....	3.00	2,000		—	2.00	20,814		—	4.00	7,087	449,901
2017.....	3.00	2,000		—		—		—	4.00	7,372	329,372
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.....		\$ 29,000		\$ 935,000		\$ 160,000		\$ 12,650		\$ 59,542	\$ 5,896,192

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

Years Ended June 30, 2005 Through 2008

	2008	2007	2006	2005
Receipts				
Property taxes	\$ 1,526,739	\$ 1,650,684	\$ 1,353,800	\$ 1,428,538
TIF collections	269,535	178,229	173,672	103,319
Other city tax	—	9,105	9,041	33,446
Licenses and permits.....	63,122	62,594	65,927	43,186
Use of money and property	70,180	176,261	143,821	84,941
Intergovernmental.....	991,497	512,879	837,498	870,086
Charges for service	657,860	565,010	515,668	676,383
Special assessments.....	34,916	27,850	29,919	—
Miscellaneous.....	<u>92,792</u>	<u>285,057</u>	<u>168,545</u>	<u>128,094</u>
Total Receipts	<u>\$ 3,706,641</u>	<u>\$ 3,467,669</u>	<u>\$ 3,297,891</u>	<u>\$ 3,367,993</u>
Disbursements				
Operating				
Public safety.....	\$ 752,390	\$ 709,217	\$ 671,404	\$ 623,284
Public works.....	710,570	693,681	651,511	1,248,657
Health and social services	12,585	14,476	15,003	10,489
Culture and recreation	709,141	729,993	719,368	780,496
Community and economic development.....	16,423	65,423	100,772	185,226
General government	397,033	382,315	370,014	313,619
Debt service.....	652,727	758,187	711,991	752,455
Capital projects.....	<u>1,406,539</u>	<u>1,339,191</u>	<u>828,830</u>	<u>311,993</u>
Total Disbursements	<u>\$ 4,657,408</u>	<u>\$ 4,692,483</u>	<u>\$ 4,068,893</u>	<u>\$ 4,226,219</u>

Financial Assistance Section

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, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 9, 2009. Our report expressed a qualified opinion on the General Capital Projects, major governmental fund and unqualified opinions on the financial statements of other opinion units 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 deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies 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, of the significant deficiencies described above, we believe items 08-IC-1, 08-IC-2 and 08-IC-3 are material weaknesses.

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 IV 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, 2008 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 which are included in Parts IV and V in the accompanying Schedule of Findings and Questioned Costs 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 9, 2009

Independent Auditor's Report on Compliance With Requirements Applicable to the Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

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

Compliance

We have audited the compliance of the City of Vinton, Iowa, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. The City of Vinton, Iowa's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Vinton, Iowa's management. Our responsibility is to express an opinion on the City of Vinton, Iowa's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Vinton, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Vinton, Iowa's compliance with those requirements.

In our opinion, the City of Vinton, Iowa, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City of Vinton, Iowa, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Vinton, Iowa's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Vinton, Iowa's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

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

This report, a public record by law, is intended solely for the information and use of the management and the City Council of the City of Vinton, Iowa, and federal awarding agencies and pass-through entities. 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 9, 2009

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor's Number	Federal Program/Cluster Expenditures
U.S. Department of Transportation			
Direct			
Federal Aviation Administration			
Airport Improvement Program	20.106	3-19-0092-03-2008	\$ <u>10,688</u>
Indirect			
Federal Highway Administration			
Pass-Through Iowa Department of Transportation			
Highway Planning and Construction	20.205	STP-E-8017(606)-8V-06 STP-U-8017(607)-70-06	387,466 <u>132,000</u> <u>519,466</u>
National Traffic Safety Administration			
Pass-Through Iowa Department of Public Safety, Governor's Traffic Safety Bureau			
Safety Belt Performance Grants	20.609	08-157, Task 169	<u>4,000</u>
Total Indirect			<u>523,466</u>
Total U.S. Department of Transportation			<u>534,154</u>
U.S. Department of Homeland Security			
Indirect			
Federal Emergency Management Agency			
Pass-Through Iowa Department of Public Defense, Iowa Homeland Security and Emergency Management Division			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	72-V1 02PMB01	4,778 <u>23,691</u> <u>28,469</u>
Pre-Disaster Mitigation	97.047	PDMC-2007-06-01	<u>102,662</u>
Total U.S. Department of Homeland Security			<u>131,131</u>
Total Expenditures of Federal Awards			<u>\$ 665,285</u>

Note 1. Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Vinton Iowa, and is presented in conformity with an other comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Subrecipients

There were no amounts provided to subrecipients from the City's federal awards programs.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2008

Part I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:
Material weakness identified? yes no
Significant deficiency identified not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:
Material weakness identified? yes no
Significant deficiency identified not considered to be material weakness? yes none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133? yes no

Identification of major program:

CFDA Numbers

20.205

Name of Federal Program or Cluster

Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes no

Schedule of Findings and Questioned Costs

Part II: Findings Related to the Financial Statements

08-IC-1 Segregation of Duties

Prior Year Finding and Recommendation - 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.

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.

Current Year Finding - We found that the same condition exists.

Auditor's Recommendation - We reiterate our prior year recommendation.

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

Auditor's Conclusion - Response accepted.

08-IC-2 Coding of Cash Receipts

Finding - Due to errors in coding cash receipts for computer posting, the City recorded \$394,892 in grants from other governments as miscellaneous receipts (reimbursements or refunds) rather than as intergovernmental receipts.

Auditor's Recommendation - In order to correctly identify cash receipts in the financial statements, we recommend that the person coding transactions for posting review the source of the cash as well as the reason it was received. When the source is another government and the reason is a nonexchange transaction, the transaction should be posted as an intergovernmental receipt.

City's Response - The receipts should have been coded as intergovernmental. Greater care will be taken to ensure the coding is correct for future receipts.

Auditor's Conclusion - Response accepted.

08-IC-3 Fund Financial Reporting

Finding - We noted that certain transactions that do not meet the criteria for reporting as a capital project were recorded in a capital projects fund. Items include animal shelter operations (adopting and neutering of animals): \$1,237 receipts and \$1,320 disbursements; City Hall repairs: \$1,028 receipts and \$1,992 disbursements; street repairs: \$95 receipts and no disbursements; and police equipment: \$7,500 receipts and \$6,308 disbursements.

Schedule of Findings and Questioned Costs

The Capital Projects Fund - Miscellaneous is a major fund. Amounts reported in this fund which should have been reported elsewhere are material to the fund. Therefore, a qualified report was issued on the financial statement of this major governmental fund.

Auditor's Recommendation - In order to report receipts and disbursements in the proper fund, we recommend that operating receipts and disbursements be moved to the General Fund from this capital projects fund. The Governmental Accounting Standards Board has issued several statements during the past few years which have resulted in many changes in governmental financial reporting. To help prevent future, similar errors, we suggest that those who are responsible for financial reporting consider attending training on current governmental accounting and financial reporting.

City's Response - The City will review the accounting for those items and, if necessary, transfer balances and activity to the General Fund. In addition, we will determine if further training is necessary and if so, require applicable personnel to attend the training.

Auditor's Conclusion - Response accepted.

Part III: Findings and Questioned Costs for Federal Awards

Internal Control Over Major Programs

There were no control deficiencies reported.

Instances of Noncompliance

There were no instances of noncompliance reported.

Part IV: Compliance and Other Matters

08-C-1 Certified Budget - Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the general government, debt service and capital projects functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Auditor's Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

City's Response - The budget will be amended in the future, if applicable.

Auditor's Conclusion - Response accepted.

08-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.

08-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

08-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
F. Ronald Elwick, Council member, Owner of Elwick Electric	Service, parts and supplies	\$5,870

In accordance with Chapter 362.5 of the Code of Iowa, the transactions with Council member 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.

City's Response - We will use a competitive bidding process in the future or consider alternatives for the electric services noted above.

Auditor's Conclusion - Response accepted.

08-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.

08-C-6 Council Minutes - Review and approval of General Fund cash transactions of the Parks and Recreation Department and the Vinton Public Library by the City Council are not documented in minutes of meetings of the City Council.

Auditor's Recommendation - The City Council has delegated authority to approve certain cash transactions within the Parks and Recreation Department and the Vinton Public Library to the appointed boards of each, respectively. Transactions of both are recorded in the General Fund of the City. The City Council has the responsibility to review and approve all cash transactions of the City's General Fund. Therefore, we recommend that evidence of the review and approval be documented by inclusion of detail transaction lists in minutes of the City Council.

City's Response - The individual boards are responsible for approving transactions and publishing minutes, including transaction detail. A copy of the minutes are provided to each member of the City Council. Council minutes have noted that minutes of boards have been received and filed. We will review the auditor's recommendation and determine whether or not it is necessary for the City Council to specifically approve the transactions.

Auditor's Conclusion - Response accepted.

08-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.

Schedule of Findings and Questioned Costs

08-C-8 Revenue Bonds

Finding - Water Utility net revenue was less than 120% of water revenue debt service for the year. Section 9 of the Water Revenue and Refunding Resolution adopted April 27, 2006 requires the City to set water rates at least sufficient to obtain gross revenue sufficient to pay the expenses of operation and maintenance of the Water Utility and to leave net revenue equal to at least 120% of the amount required for payment on the principal and interest on water revenue debt.

Auditor's Recommendation - In order to meet the compliance terms of the debt resolution and to ensure the Water Utility generates cash sufficient to make debt interest and principal payments when due, we recommend that the City increase water rates to provide net revenue at least equal to 120% of debt service.

City's Response - Water rates were increased effective July 1, 2008, which, had they been in place one year earlier, would have provided adequate gross revenue for the year. Due to increasing costs of operations, the City will monitor net revenue and, if needed, implement another rate increase.

Auditor's Conclusion - Response accepted.

Finding - Transfers to the water revenue debt sinking account were not made on dates and in amounts as prescribed. Section 17 of the Water Revenue and Refunding Resolution adopted April 27, 2006, requires the City to make monthly transfers from the water revenue account to the water revenue bond sinking account. The transfers were to begin June 1, 2006 and be in amounts equal to 1/6 of the next interest payment and 1/12 of the next principal payment. The City has elected to make transfers each quarter rather than the first of each month. Regular transfers were made in July, October, and April and a smaller transfer was made in May. As a result, month-end balances were less than required at the end of February, March and June (year end). The year-end balance was approximately \$11,000 less than required.

Auditor's Recommendation - In order to meet the compliance terms of the debt resolution, we recommend that the City change its transfer policy to make monthly transfers on the first of each month and in prescribed amounts.

City's Response - The City will review procedures and take steps as necessary to assure amounts are transferred timely and in correct amounts.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Part V: Findings From the Iowa Auditor of State's Special Investigation of the City of Vinton Parks and Recreations Department

As part of the Iowa Auditor of State's investigation, the Iowa Auditor of State reviewed the procedures used by the Vinton Parks and Recreation Department to perform bank reconciliations and process receipts and payroll. An important aspect of internal control is to establish procedures to provide accountability for assets susceptible to loss from error and irregularities. These procedures provide the actions of one individual who will act as a check on those of another and provide a level of assurance errors and irregularities will be noted within a reasonable time during the course of normal operations. Based on the Iowa Auditor of State's findings and observations detailed below, the following recommendations were made to strengthen the Department's internal controls.

08-IAOS-1 Segregation of Duties - An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The former Administrative Assistance had control over each of the following areas of the Department:

1. Receipts - collections, postings and deposit preparation.
2. Disbursements - preparation, posting and distribution.
3. Financial reporting - preparation of the monthly reports.

Iowa Auditor of State Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the duties within each function identified should be segregated to the extent possible among Department staff. In addition, the Director and/or Board members should review financial records, reconciliations and compare the information to supporting documentation on a periodic basis.

City's Response

1. The Director of Parks and Recreation has begun reviewing deposit detail and he takes deposits to the bank. In his absence, the assistant director performs these functions. The City Clerk now makes periodic, unannounced inspections to ensure all prenumbered receipts have been properly included in deposit detail.
2. The Director reviews all disbursements and each's supporting detail before presentation to the Parks and Recreation Board for review and approval.
3. The Director reviews supporting detail of monthly reports to the Board to ensure all receipts and checks have been included.

Independent Auditor's Conclusion - Responses accepted; however, the City and the Parks and Recreation Department should continue to monitor the segregation of duties and include others, including Board members in the process whenever possible.

Schedule of Findings and Questioned Costs

08-IAOS-2 Monthly Reconciliations - The Department's monthly bank statements were delivered directly to the City Clerk for review and reconciliation. However, the bank statements were reconciled to monthly summary reports prepared by the former Administrative Assistant who had responsibilities for a number of duties which should have been segregated.

We identified several misstatements on the monthly summary reports prepared by the former Administrative Assistant. The misstatements did not allow the City Clerk to identify irregularities in a timely manner.

We also determined the summary of collections provided to the City Clerk for the months of June and July, 2007 appear to have omitted two receipts.

Iowa Auditor of State Recommendation - The Department's monthly bank statements should be reconciled to original accounting records rather than summaries prepared by individuals with responsibility for custody of the Department's funds. The reconciliations should also be periodically reviewed by the Director, the Board and/or a representative appointed by the Board.

In addition, the City Clerk should sequentially account for all receipts reported by the Department, both within and between months.

City's Response - The City Clerk and the Board of the Parks and Recreation Department have custody of the Parks and Recreation bank account. The monthly bank statement is now being reconciled, in the City Clerk's office, to original lists of receipts and disbursements. The sequence of prenumbered receipts is now being monitored both within and between months.

Independent Auditor's Conclusion - Responses accepted.

08-IAOS-3 Reports to the Board - During our review of certain financial reports submitted to the Board, we identified several misstatements which hindered the Board's ability to identify irregularities in a timely manner.

Iowa Auditor of State Recommendation - The financial reports submitted to the Board should periodically be compared to supporting documentation by a party independent of the reports preparation to ensure the information provided is accurate and complete.

City's Response - The City Clerk and Director are now reviewing financial reports prior to presentation to the Board.

Independent Auditor's Conclusion - Response accepted.

08-IAOS-4 Collections Received by the Department - For most of the programs administered by the Department, the related fees are collected at the time the participant registers for the program. However, the Department does not collect fees for swim lessons until a later date. We identified a number of fees for swim lessons which were not properly recorded and deposited.

Schedule of Findings and Questioned Costs

Iowa Auditor of State Recommendation - The Department should implement procedures to ensure all fees collected for swim lessons are properly recorded and deposited. By creating a list of participants by instructor and reconciling the amount collected for each participant to the amount paid to the instructor, the Department can ensure all collections are properly recorded.

City's Response - Participant lists are now being completed for each class and program.

Independent Auditor's Conclusion - Response accepted.

08-IAOS-5 Racquetball Passes - The Department sells punch cards for use of the racquetball court. During the period of our review, the punch cards were not controlled in a manner which allowed us to determine if all proceeds from the sale of the punch cards were properly deposited.

Iowa Auditor of State Recommendation - The Department should implement procedures to ensure all racquetball punch cards are properly accounted for. The cards should be prenumbered and a reconciliation should be periodically performed between the number sold and the collections recorded and deposited. The reconciliation should be performed by someone independent of the custody of the punch cards and preparation of accounting information.

City's Response - Procedures are being established to account for all racquetball punch cards. Cards will be prenumbered and reconciled to the receipt for payment received.

Independent Auditor's Conclusion - Response accepted.

08-IAOS-6 Unreported Compensation - The value of housing and vehicle benefits and cell phone service were not included in the Director's and Assistant Director's Internal Revenue Service W-2 forms.

Iowa Auditor of State Recommendation - The City should determine which benefits are taxable and implement procedures to ensure all taxable nonmonetary benefits provided to all City employees are included in their W-2 forms.

City's Response

1. Automobile allowances have been determined to be provided under a "nonaccountable" plan, subject to withholding and taxation. Procedures have been revised to include the allowances as income taxable to the employee.
2. Certain employees, as a job requirement, are required to live in City-provided housing for the convenience of the City (security of City property). Due to their nature, these benefits have been determined to be exempt from income and payroll taxes.
3. Cell phones are furnished for City business use only. Personal use is considered to be de minimus and, therefore, not subject to income and payroll taxes.

Independent Auditor's Conclusion - Responses accepted.