

CITY OF VINTON, IOWA
JUNE 30, 2009
FINANCIAL STATEMENTS

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Officials

Name	Title	Term Expires
Elected Officials		
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, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Vinton's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects the respective cash basis financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Vinton as of June 30, 2009, and the respective changes in the cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2010 on our consideration of the City of Vinton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Honorable Mayor and
Members of the City Council
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Management's Discussion and Analysis and budgetary comparison information on Pages 4 through 9 and Page 24 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, 2008, 2007 and 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements and supplementary data which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included on Pages 25 through 29, and the Schedule of Expenditures of Federal Awards on Page 34 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 7, 2010

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, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

Total receipts of the City increased 19.4%, or approximately \$1,002,000, from fiscal 2008 to fiscal 2009. Property tax receipts, including TIF collections and other city taxes and assessments, increased \$244,035, charges for services decreased \$5,134, grants, contributions and restricted interest increased by \$798,066.

Disbursements decreased 3.5%, or approximately \$205,000, in fiscal 2009 from fiscal 2008. Debt service disbursements decreased by approximately \$30,000 while business-type activities increased by approximately \$239,000.

The City's total cash basis net assets increased 14.3%, or approximately \$467,000, from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities increased approximately \$498,000 and the assets of the business-type activities decreased by approximately \$31,000.

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 increased from \$1,737,510 a year ago to \$2,235,454. 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>2009</u>	<u>2008</u>
Receipts and Transfers		
Program Receipts		
Charges for service	\$ 625,975	\$ 663,225
Operating grants, contributions and restricted interest	1,055,510	595,484
Capital grants, contributions and restricted interest	667,119	514,203
General Receipts		
Property tax and TIF collections	1,818,599	1,796,274
Other city taxes	234,030	—
Special assessments	22,596	34,916
Licenses		
Permits and franchise fees	66,077	63,122
Unrestricted interest on investments	22,962	29,248
Other general receipts	8,596	10,169
Sale of assets	—	30,000
Transfers, net	<u>190,260</u>	<u>208,251</u>
Total Receipts and Transfers	<u>4,711,724</u>	<u>3,944,892</u>
Disbursements		
Public safety	887,273	752,390
Public works	808,293	710,570
Health and social services	14,842	12,585
Culture and recreation	798,952	709,141
Community and economic development	19,954	16,423
General government	426,648	397,033
Debt service	622,876	652,727
Capital projects	<u>634,942</u>	<u>1,406,539</u>
Total Disbursements	<u>4,213,780</u>	<u>4,657,408</u>
Increase (Decrease) in Cash Basis Net Assets	497,944	(712,516)
Cash Basis Net Assets - Beginning of Year	<u>1,737,510</u>	<u>2,450,026</u>
Cash Basis Net Assets - End of Year	<u>\$ 2,235,454</u>	<u>\$ 1,737,510</u>

The cost of all governmental activities this year was \$4,213,780 compared to \$4,657,408 last year. As shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was only \$1,865,176 because some of the cost was paid by those directly benefiting from the programs (\$625,975) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$1,722,629). The City paid for the remaining “public benefit” portion of governmental activities with \$2,172,860 in general receipts, \$190,260 in transfers from business-type activities and has \$497,944 in cash balances carried forward.

Changes in Cash Basis Net Assets of Business-Type Activities

	Year Ended June 30,	
	2009	2008
Receipts		
Charges for Service		
Water utility	\$ 509,752	\$ 484,445
Wastewater treatment	475,183	477,763
Landfill/recycling	398,275	388,886
Operating Grants, Interest and Other		
Water utility	17,539	23,174
Wastewater treatment	246,607	54,652
Landfill/recycling	7,705	8,901
Total Receipts	1,655,061	1,437,821
Disbursements and Transfers		
Water utility	508,109	580,672
Wastewater treatment	621,992	313,561
Landfill/recycling	365,333	362,395
Transfers	190,260	208,251
Total Disbursements and Transfers	1,685,694	1,464,879
Decrease in Cash Basis Net Assets	(30,633)	(27,058)
Cash Basis Net Assets - Beginning of Year	1,522,981	1,550,039
Cash Basis Net Assets - End of Year	\$ 1,492,348	\$ 1,522,981

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 \$2,235,454, an increase of \$497,944 from last year’s total of \$1,737,510. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$116,038 from the prior year to \$997,433 primarily due to higher than expected property tax revenue and a decrease in health insurance premiums. Much of this increase will be used in FY 2010 to pay for a 16% increase in health insurance premiums.

- The Road Use Tax Special Revenue Fund increased \$84,572 from the prior year to \$134,847 primarily due to the increased revenue received from the state for road use and the shifting of some costs, such as fuel, to the general fund.
- 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 \$27,828, a decrease of \$82,664 from the previous year.

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

- The water utility cash balance decreased by \$7,360 to \$263,979, due to lower than expected revenue generation.
- The wastewater treatment cash balance decreased by \$42,445 to \$1,162,435 due primarily to repair expenditures from flood damage occurring in June, 2008 that were not yet reimbursed by the Federal Emergency Management Agency (FEMA).
- The landfill/recycling cash balance increased by \$19,172 to \$65,934, primarily due to lower garbage collection fees from a recently contracted residential garbage and recycling collector.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 28, 2009. Cash disbursements did not exceed amounts budgeted.

DEBT ADMINISTRATION

At June 30, 2009, the City had \$5,277,000 in bonds and other long-term debt, compared to \$5,824,000 last year, as shown below:

Outstanding Debt at Year End

	<u>Year Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
General obligation bonds and notes	\$ 4,295,000	\$ 4,700,000
Water revenue bonds	842,000	964,000
Rural electric cooperative note	<u>140,000</u>	<u>160,000</u>
Total	<u>\$ 5,277,000</u>	<u>\$ 5,824,000</u>
 Loans From Vinton Municipal Electric Utility (Component Unit)		
	<u>\$ 51,564</u>	<u>\$ 72,192</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 \$4,295,000 is below its constitutional debt limit of \$10,635,408.

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 2010 budget, tax rates and fees that will be charged for various City activities.

For FY 2010 the City has incorporated estimated revenue and expenditures into the budget for several anticipated capital projects that mainly focus on flood mitigation through the acquisition of 28 properties that were damaged in the June, 2008 flood, the restoration of two blocks of East 9th Street from 1st Avenue to 3rd Avenue and the construction of a new street (West 11th Street) extension from Highway 218 for access to a new hotel that is expected to be constructed in the Spring of 2010.

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, 2009

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.....	\$ 887,273	\$ 5,515	\$ 361,480	\$ —	\$ (520,278)	\$ —	\$ (520,278)	\$ —
Public works.....	808,293	97,114	454,902	—	(256,277)	—	(256,277)	—
Health and social services.....	14,842	—	4,794	—	(10,048)	—	(10,048)	—
Culture and recreation.....	798,952	238,467	139,083	—	(421,402)	—	(421,402)	—
Community and economic development.....	19,954	—	—	—	(19,954)	—	(19,954)	—
General government.....	426,648	284,879	87,989	—	(53,780)	—	(53,780)	—
Debt service.....	622,876	—	—	—	(622,876)	—	(622,876)	—
Capital projects.....	634,942	—	7,262	667,119	39,439	—	39,439	—
Total Governmental Activities.....	4,213,780	625,975	1,055,510	667,119	(1,865,176)	—	(1,865,176)	—
Business-Type Activities								
Water utility.....	508,109	509,752	12,529	—	—	14,172	14,172	—
Wastewater treatment.....	621,992	475,183	205,780	—	—	58,971	58,971	—
Landfill/recycling.....	365,333	398,275	7,645	—	—	40,587	40,587	—
Total Business-Type Activities.....	1,495,434	1,383,210	225,954	—	—	113,730	113,730	—
Total Primary Government.....	\$ 5,709,214	\$ 2,009,185	\$ 1,281,464	\$ 667,119	(1,865,176)	113,730	(1,751,446)	—
Component Unit								
Vinton Municipal Electric Utility.....	\$ 7,812,886	\$ 3,412,420	\$ —	\$ 2,901,229	—	—	—	(1,499,237)
General Receipts								
Property Tax Levied for								
General purposes.....					862,345	—	862,345	—
Employee benefits.....					440,696	—	440,696	—
Tax increment financing.....					280,711	—	280,711	—
Debt service.....					225,855	—	225,855	—
Emergency fund.....					8,992	—	8,992	—
Local option sales tax.....					234,030	—	234,030	—
Special assessments.....					22,596	—	22,596	—
Licenses, permits and franchise fees.....					66,077	—	66,077	—
Unrestricted interest on investments.....					22,962	45,897	68,859	149,981
Miscellaneous.....					8,596	—	8,596	14,055
Transfers in (out).....					190,260	(190,260)	—	—
Total General Receipts and Transfers.....					2,363,120	(144,363)	2,218,757	164,036
Change in Cash Basis Net Assets.....					497,944	(30,633)	467,311	(1,335,201)
Cash Basis Net Assets - Beginning of Year.....					1,737,510	1,522,981	3,260,491	4,128,371
Cash Basis Net Assets - End of Year.....					\$ 2,235,454	\$ 1,492,348	\$ 3,727,802	\$ 2,793,170
Cash Basis Net Assets								
Restricted								
Streets.....					\$ 134,847	\$ —	\$ 134,847	\$ —
Urban renewal purposes.....					448,599	—	448,599	—
Debt service.....					27,828	231,659	259,487	—
Other purposes.....					100,000	—	100,000	—
Unrestricted.....					1,524,180	1,260,689	2,784,869	2,793,170
Total Cash Basis Net Assets.....					\$ 2,235,454	\$ 1,492,348	\$ 3,727,802	\$ 2,793,170

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, 2009

	General Fund	Special Revenue - Road Use Tax	Debt Service	Other Nonmajor Governmental Funds	Total
Receipts					
Property taxes	\$ 862,345	\$ —	\$ 225,855	\$ 449,688	\$ 1,537,888
TIF collections	—	—	—	280,711	280,711
Other city taxes	—	—	—	234,030	234,030
Licenses and permits	66,077	—	—	—	66,077
Use of money and property	14,302	—	9,825	4,406	28,533
Intergovernmental	291,432	454,049	—	759,879	1,505,360
Charges for service	620,404	—	—	—	620,404
Special assessments	—	—	22,596	—	22,596
Miscellaneous	218,603	—	—	7,262	225,865
Total Receipts	<u>2,073,163</u>	<u>454,049</u>	<u>258,276</u>	<u>1,735,976</u>	<u>4,521,464</u>
Disbursements					
Operating					
Public Safety	795,990	—	—	91,283	887,273
Public Works	466,925	341,368	—	—	808,293
Health and Social Services	14,842	—	—	—	14,842
Culture and Recreation	798,952	—	—	—	798,952
Community and Economic Development	19,954	—	—	—	19,954
General Government	426,648	—	—	—	426,648
Debt Service	—	12,650	610,226	—	622,876
Capital Projects	—	—	—	634,942	634,942
Total Disbursements	<u>2,523,311</u>	<u>354,018</u>	<u>610,226</u>	<u>726,225</u>	<u>4,213,780</u>
Receipts Over (Under) Disbursements	<u>(450,148)</u>	<u>100,031</u>	<u>(351,950)</u>	<u>1,009,751</u>	<u>307,684</u>
Other Financing Sources (Uses)					
Transfers in	629,693	—	269,286	89,776	988,755
Transfers out	(45,000)	(15,459)	—	(738,036)	(798,495)
Total Other Financing Sources (Uses)	<u>584,693</u>	<u>(15,459)</u>	<u>269,286</u>	<u>(648,260)</u>	<u>190,260</u>
Net Change in Cash Balances	<u>134,545</u>	<u>84,572</u>	<u>(82,664)</u>	<u>361,491</u>	<u>497,944</u>
Cash Balances - Beginning of Year, as previously reported	881,395	50,275	110,492	695,348	1,737,510
Reclassification (Note 12)	(18,507)	—	—	18,507	—
Cash Balances - Beginning of Year, as reclassified	862,888	50,275	110,492	713,855	1,737,510
Cash Balances - End of Year	<u>\$ 997,433</u>	<u>\$ 134,847</u>	<u>\$ 27,828</u>	<u>\$ 1,075,346</u>	<u>\$ 2,235,454</u>
Cash Basis Fund Balances					
Reserved					
Debt service	\$ —	\$ —	\$ 27,828	\$ —	\$ 27,828
Unreserved					
General Fund	997,433	—	—	—	997,433
Special Revenue Fund	—	134,847	—	460,127	594,974
Capital Projects Fund	—	—	—	515,219	515,219
Permanent Fund	—	—	—	100,000	100,000
Total Cash Basis Fund Balances	<u>\$ 997,433</u>	<u>\$ 134,847</u>	<u>\$ 27,828</u>	<u>\$ 1,075,346</u>	<u>\$ 2,235,454</u>

See accompanying notes to the financial statements.

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

As of and for the Year Ended June 30, 2009

	Water Utility	Wastewater Treatment	Landfill/ Recycling	Total
Operating Receipts				
Charges for service	\$ 506,932	\$ 475,183	\$ 398,275	\$ 1,380,390
Miscellaneous.....	<u>217</u>	<u>644</u>	<u>122</u>	<u>983</u>
Total Operating Receipts.....	<u>507,149</u>	<u>475,827</u>	<u>398,397</u>	<u>1,381,373</u>
Operating Disbursements				
Business-type activities	<u>345,241</u>	<u>333,968</u>	<u>353,940</u>	<u>1,033,149</u>
Operating Receipts Over				
Operating Disbursements	<u>161,908</u>	<u>141,859</u>	<u>44,457</u>	<u>348,224</u>
Nonoperating Receipts (Disbursements)				
Intergovernmental.....	12,312	205,136	7,523	224,971
Interest on deposits	5,010	40,827	60	45,897
Rents	2,820	—	—	2,820
Debt service.....	(161,283)	—	(11,393)	(172,676)
Capital outlay.....	<u>(1,585)</u>	<u>(288,024)</u>	<u>—</u>	<u>(289,609)</u>
Net Nonoperating Disbursements	<u>(142,726)</u>	<u>(42,061)</u>	<u>(3,810)</u>	<u>(188,597)</u>
Revenue Over Disbursements	<u>19,182</u>	<u>99,798</u>	<u>40,647</u>	<u>159,627</u>
Other Financing Sources (Uses)				
Transfers in.....	61,172	6,000	—	67,172
Transfers out	<u>(87,714)</u>	<u>(148,243)</u>	<u>(21,475)</u>	<u>(257,432)</u>
Total Other Financing Uses	<u>(26,542)</u>	<u>(142,243)</u>	<u>(21,475)</u>	<u>(190,260)</u>
Net Change in Cash Balances.....	(7,360)	(42,445)	19,172	(30,633)
Cash Balances - Beginning of Year.....	<u>271,339</u>	<u>1,204,880</u>	<u>46,762</u>	<u>1,522,981</u>
Cash Balances - End of Year.....	<u>\$ 263,979</u>	<u>\$ 1,162,435</u>	<u>\$ 65,934</u>	<u>\$ 1,492,348</u>
Cash Basis Fund Balances				
Reserved for debt service.....	\$ 231,659	\$ —	\$ —	\$ 231,659
Unreserved.....	<u>32,320</u>	<u>1,162,435</u>	<u>65,934</u>	<u>1,260,689</u>
Total Cash Basis Fund Balances	<u>\$ 263,979</u>	<u>\$ 1,162,435</u>	<u>\$ 65,934</u>	<u>\$ 1,492,348</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, 2009

	Agency Funds
Receipts	
Deposits.....	\$ 36,230
Disbursements	
Refunds of deposits.....	<u>33,246</u>
Net Change in Cash Balances	2,984
Cash Balances - Beginning of Year.....	<u>77,436</u>
Cash Balances - End of Year	<u>\$ 80,420</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 cash receipts and disbursements of the Vinton Municipal Electric Utility are 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.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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.

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 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.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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, 2009, disbursements did not exceed the amounts budgeted.

(2) Deposits and Investments

The City's deposits in banks at June 30, 2009 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, 2009 were as follows:

United States Series HH Bonds	\$ 2,000
Cash and certificates of deposit	<u>3,806,222</u>
Total	<u>\$ 3,808,222</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
2010	\$ 420,000	\$ 170,276	\$ 127,000	\$ 34,070	\$ 20,000	\$ —	\$ —	\$ 5,589	\$ 2,006	\$ 572,589	\$ 206,352
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	370,000	117,521	147,000	12,888	19,990	1,077	—	6,547	1,048	543,537	132,534
2015-19	1,695,000	361,764	160,000	8,250	41,208	925	—	21,272	1,515	1,917,480	372,454
2020-23	790,000	84,783	7,000	450	—	—	—	—	—	797,000	85,233
	<u>\$ 4,295,000</u>	<u>\$ 1,164,918</u>	<u>\$ 842,000</u>	<u>\$ 127,432</u>	<u>\$ 140,000</u>	<u>\$ 5,334</u>	<u>\$ —</u>	<u>\$ 51,564</u>	<u>\$ 9,199</u>	<u>\$ 5,328,564</u>	<u>\$ 1,306,883</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 \$969,432. For the current year, principal and interest paid and net receipts were \$160,810 and \$182,050, 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 covenant 2 for the year ended June 30, 2009.

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 \$12,650 during the year ended June 30, 2009. 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 \$11,393 during the year ended June 30, 2009 which included interest of \$3,415. The notes payable balances were \$0 and \$51,564, respectively, at June 30, 2009.

(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, 2009, most plan members were required to contribute 4.1% of their annual salary and the City was required to contribute 6.35% 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, 2009, 2008 and 2007 were \$114,855, \$114,704 and \$106,764, 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, 2009
Primary Government	
Vacation.....	\$ 45,000
Sick leave	283,000
	<u>\$ 328,000</u>

The liability has been computed based on rates of pay as of June 30, 2009.

Notes to the Financial Statements

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer To	Transfer From	Amount
General	Nonmajor Governmental	
	FICA/IPERS	\$ 141,646
	Employee Benefits	265,073
	SE TIF #1	27,229
	West TIF #1	5,000
	SW TIF	6,518
	West TIF #2	6,000
	Permanent	3,156
	Enterprise	
	Water Utility	87,714
	Wastewater Treatment	65,882
	Landfill/Recycling	21,475
		<u>629,693</u>
Debt Service	Major Governmental	
	Road Use Tax	15,459
	Nonmajor Governmental	
	Local Sales Tax	58,508
	NW TIF	34,706
	SE TIF #1	77,486
	West TIF #1	8,174
	SW TIF	13,482
	Downtown TIF	13,110
	Enterprise	
	Wastewater Treatment	48,361
		<u>269,286</u>
Capital Projects	Nonmajor Governmental	
West TIF #1	West TIF #1	<u>44,448</u>
SE TIF #1	SE TIF #1	<u>328</u>
Maple Lane Storm Shelter	General Fund	<u>45,000</u>
Enterprise	Enterprise	
Water Utility	Wastewater Treatment	<u>34,000</u>
	Nonmajor Governmental	
	SE TIF #1	<u>27,172</u>
Wastewater Treatment	Nonmajor Governmental	
	West TIF #2	<u>6,000</u>
Total		<u>\$ 1,055,927</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 \$7,353 during the year ended June 30, 2009.

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 6.42% at June 30, 2009. 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	\$ 127,327
Amounts paid by the City for services	126,856
Payable from the City at year end for electric services	10,975
Amounts paid by the City for loan repayments including interest of \$3,415.....	24,043
Note balances at year end.....	51,564
Payments received by the City for services received	208,430

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	\$ 2,172,373
Cash payments to RPGI.....	2,058,207
Payable to RPGI at June 30, 2009	232,356
Investment in RPGI	—
Share of RPGI net cash.....	280,888

(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 sanitary sewer lines and water mains and various community projects. At June 30, 2009, the City was committed to approximately \$1.3 million 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/Insurance Recovery

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. During the year ended June 30, 2009, the City recovered \$64,454.44 from its insurance carrier.

Notes to the Financial Statements

(12) Reclassification of Governmental Cash Balances

The Emergency Fund was reclassified from the General Fund to a separate nonmajor special revenue fund to more accurately reflect the activity and purpose of the fund. The changes to beginning cash balances are shown below.

	<u>Special Revenue Funds</u>				
	General	Road Use Tax	Debt Service	Other Nonmajor Govern- mental Funds	Total
Cash Balance - Beginning of Year, as previously reported	\$ 881,395	\$ 50,275	\$ 110,492	\$ 695,348	\$ 1,737,510
Reclassify Emergency Fund.....	<u>(18,507)</u>	<u>—</u>	<u>—</u>	<u>18,507</u>	<u>—</u>
Cash Balances - Beginning of Year, as Reclassified	<u>\$ 862,888</u>	<u>\$ 50,275</u>	<u>\$ 110,492</u>	<u>\$ 713,855</u>	<u>\$ 1,737,510</u>

(13) Subsequent Event

In August, 2009, the City Council approved a development agreement that will obligate the City in the amount of \$335,000 to assist in the building of a hotel. Those funds will be provided through an internal loan which will be repaid through TIF revenue.

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, 2009

	Governmental Funds - Actual	Enterprise Funds - Actual	Discretely Presented Component Unit - Actual	Net	Budgeted Amounts		Over (Under) Budget
					Original	Final	
Receipts							
Property taxes	\$ 1,537,888	\$ —	\$ —	\$ 1,537,888	\$ 1,529,630	\$ 1,529,630	\$ 8,258
TIF collections	280,711	—	—	280,711	280,157	280,157	554
Other city taxes.....	234,030	—	—	234,030	361,929	361,929	(127,899)
Licenses and permits.....	66,077	—	—	66,077	60,500	60,500	5,577
Use of money and property	28,533	48,717	149,981	227,231	313,763	313,763	(86,532)
Intergovernmental.....	1,505,360	224,971	2,901,229	4,631,560	939,570	4,334,570	296,990
Charges for service	620,404	1,380,390	3,412,420	5,413,214	4,998,371	4,998,371	414,843
Special assessments.....	22,596	—	—	22,596	20,000	20,000	2,596
Miscellaneous.....	225,865	983	14,055	240,903	200	200	240,703
Total Receipts.....	4,521,464	1,655,061	6,477,685	12,654,210	8,504,120	11,899,120	755,090
Disbursements							
Public Safety.....	887,273	—	—	887,273	799,115	1,054,115	(166,842)
Public Works.....	808,293	—	—	808,293	977,606	1,014,606	(206,313)
Health and Social Services.....	14,842	—	—	14,842	15,357	15,357	(515)
Culture and Recreation.....	798,952	—	—	798,952	829,658	829,958	(31,006)
Community and Economic Development	19,954	—	—	19,954	32,730	32,730	(12,776)
General Government.....	426,648	—	—	426,648	385,659	426,659	(11)
Debt Service	622,876	—	—	622,876	611,627	624,627	(1,751)
Capital Projects	634,942	—	—	634,942	831,104	1,113,104	(478,162)
Business-Type Activities.....	—	1,495,434	7,812,886	9,308,320	5,676,657	10,931,957	(1,623,637)
Total Disbursements.....	4,213,780	1,495,434	7,812,886	13,522,100	10,159,513	16,043,113	(2,521,013)
Receipts Over (Under) Disbursements.....	307,684	159,627	(1,335,201)	(867,890)	(1,655,393)	(4,143,993)	(3,276,103)
Other Financing Sources, Net	190,260	(190,260)	—	—	—	—	—
Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	497,944	(30,633)	(1,335,201)	(867,890)	(1,655,393)	(4,143,993)	(3,276,103)
Balances - Beginning of Year	1,737,510	1,522,981	4,128,371	7,388,862	6,144,275	6,144,275	(1,244,587)
Balances - End of Year.....	\$ 2,235,454	\$ 1,492,348	\$ 2,793,170	\$ 6,520,972	\$ 4,488,882	\$ 2,000,282	\$ (4,520,690)

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 \$5,883,600. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements did not exceed the amounts budgeted.

Other Supplementary Information



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

Year Ended June 30, 2009

	Special Revenue										
	Local Option Sales Tax	Emergency Fund	FICA/IPERS	Employee Benefits	NW TIF	SE TIF #1	West TIF #1	SW TIF	Downtown TIF	West TIF #2	Permanent Tobin Trust
Receipts											
Property taxes	\$ —	\$ 8,992	\$ 147,942	\$ 292,754	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
TIF collections	—	—	—	—	47,649	131,570	35,349	20,248	23,951	21,944	—
Other city tax	234,030	—	—	—	—	—	—	—	—	—	—
Use of money and property	84	7	—	—	332	85	24	9	51	39	3,156
Intergovernmental.....	—	92,760	—	—	—	—	—	—	—	—	—
Miscellaneous.....	—	—	—	—	—	—	—	—	—	—	—
Total Receipts.....	<u>234,114</u>	<u>101,759</u>	<u>147,942</u>	<u>292,754</u>	<u>47,981</u>	<u>131,655</u>	<u>35,373</u>	<u>20,257</u>	<u>24,002</u>	<u>21,983</u>	<u>3,156</u>
Disbursements											
Operating											
Public Safety	—	91,283	—	—	—	—	—	—	—	—	—
Capital projects.....	—	—	—	—	—	—	—	—	—	—	—
Total Disbursements.....	<u>—</u>	<u>91,283</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Receipts Over (Under) Disbursements	<u>234,114</u>	<u>10,476</u>	<u>147,942</u>	<u>292,754</u>	<u>47,981</u>	<u>131,655</u>	<u>35,373</u>	<u>20,257</u>	<u>24,002</u>	<u>21,983</u>	<u>3,156</u>
Other Financing Sources (Uses)											
Transfers in.....	—	—	—	—	—	—	—	—	—	—	—
Transfers out	(58,508)	—	(141,646)	(265,073)	(34,706)	(132,215)	(57,622)	(20,000)	(13,110)	(12,000)	(3,156)
Other Financing Sources (Uses) .	<u>(58,508)</u>	<u>—</u>	<u>(141,646)</u>	<u>(265,073)</u>	<u>(34,706)</u>	<u>(132,215)</u>	<u>(57,622)</u>	<u>(20,000)</u>	<u>(13,110)</u>	<u>(12,000)</u>	<u>(3,156)</u>
Net Change in Cash Balances.....	<u>175,606</u>	<u>10,476</u>	<u>6,296</u>	<u>27,681</u>	<u>13,275</u>	<u>(560)</u>	<u>(22,249)</u>	<u>257</u>	<u>10,892</u>	<u>9,983</u>	<u>—</u>
Cash Balances - Beginning of Year, as previously reported.....	—	—	—	—	95,850	34,166	23,878	4,475	30,231	21,363	100,000
Reclassification (Note 12).....	—	18,507	—	—	—	—	—	—	—	—	—
Cash Balances - Beginning of Year, as Reclassified.....	—	18,507	—	—	95,850	34,166	23,878	4,475	30,231	21,363	100,000
Cash Balances - End of Year.....	<u>\$ 175,606</u>	<u>\$ 28,983</u>	<u>\$ 6,296</u>	<u>\$ 27,681</u>	<u>\$ 109,125</u>	<u>\$ 33,606</u>	<u>\$ 1,629</u>	<u>\$ 4,732</u>	<u>\$ 41,123</u>	<u>\$ 31,346</u>	<u>\$ 100,000</u>
Cash Basis Fund Balances											
Unreserved											
Special Revenue Funds.....	\$ 175,606	\$ 28,983	\$ 6,296	\$ 27,681	\$ 109,125	\$ 33,606	\$ 1,629	\$ 4,732	\$ 41,123	\$ 31,346	\$ —
Capital Projects Funds.....	—	—	—	—	—	—	—	—	—	—	—
Permanent Fund	—	—	—	—	—	—	—	—	—	—	100,000
Total Cash Basis Fund Balances.....	<u>\$ 175,606</u>	<u>\$ 28,983</u>	<u>\$ 6,296</u>	<u>\$ 27,681</u>	<u>\$ 109,125</u>	<u>\$ 33,606</u>	<u>\$ 1,629</u>	<u>\$ 4,732</u>	<u>\$ 41,123</u>	<u>\$ 31,346</u>	<u>\$ 100,000</u>

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

Year Ended June 30, 2009

	Capital Projects											
	Miscel- laneous	Flood Mitigation	Community Disaster Grant	SAFE TEA LU	County Home Sewer Extension	West TIF #1	SE TIF #1	NW TIF	Maple Lane Storm Shelter	Sidewalk Fund	Downtown Improvements	Total
Receipts												
Property taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 449,688
TIF collections	—	—	—	—	—	—	—	—	—	—	—	280,711
Other city tax	—	—	—	—	—	—	—	—	—	—	—	234,030
Use of money and property	439	—	16	79	7	1	1	8	17	43	8	4,406
Intergovernmental.....	9,771	287,001	138,405	43,395	—	—	—	—	188,547	—	—	759,879
Miscellaneous.....	6,262	—	—	—	—	—	—	—	—	—	1,000	7,262
Total Receipts.....	16,472	287,001	138,421	43,474	7	1	1	8	188,564	43	1,008	1,735,976
Disbursements												
Operating												
Public Safety	—	—	—	—	—	—	—	—	—	—	—	91,283
Capital projects.....	167,867	142,760	—	42,033	—	45,615	4,916	—	221,751	10,000	—	634,942
Total Disbursements.....	167,867	142,760	—	42,033	—	45,615	4,916	—	221,751	10,000	—	726,225
Receipts Over (Under) Disbursements	(151,395)	144,241	138,421	1,441	7	(45,614)	(4,915)	8	(33,187)	(9,957)	1,008	1,009,751
Other Financing Sources (Uses)												
Transfers in.....	—	—	—	—	—	44,448	328	—	45,000	—	—	89,776
Transfers out	—	—	—	—	—	—	—	—	—	—	—	(738,036)
Other Financing Sources (Uses)	—	—	—	—	—	44,448	328	—	45,000	—	—	(648,260)
Net Change in Cash Balances.....	(151,395)	144,241	138,421	1,441	7	(1,166)	(4,587)	8	11,813	(9,957)	1,008	361,491
Cash Balances - Beginning of Year,												
as previously reported.....	275,735	—	—	54,385	4,592	1,166	4,587	5,180	30	32,700	7,010	695,348
Reclassification (Note 12).....	—	—	—	—	—	—	—	—	—	—	—	18,507
Cash Balances - Beginning of Year, as Reclassified.....	275,735	—	—	54,385	4,592	1,166	4,587	5,180	30	32,700	7,010	713,855
Cash Balances - End of Year.....	\$ 124,340	\$ 144,241	\$ 138,421	\$ 55,826	\$ 4,599	\$ —	\$ —	\$ 5,188	\$ 11,843	\$ 22,743	\$ 8,018	\$ 1,075,346
Cash Basis Fund Balances												
Unreserved												
Special Revenue Funds.....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 460,127
Capital Projects Funds.....	124,340	144,241	138,421	55,826	4,599	—	—	5,188	11,843	22,743	8,018	515,219
Permanent Fund	—	—	—	—	—	—	—	—	—	—	—	100,000
Total Cash Basis Fund Balances	\$ 124,340	\$ 144,241	\$ 138,421	\$ 55,826	\$ 4,599	\$ —	\$ —	\$ 5,188	\$ 11,843	\$ 22,743	\$ 8,018	\$ 1,075,346

Schedule of Indebtedness

Year Ended June 30, 2009

	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	3.50%	\$ 215,000	\$ —	\$ 110,000	\$ 105,000	\$ 7,250
Corporate Purpose and Refunding Series 2006	2,875,000	8-1-06	4.13 - 4.30	<u>2,670,000</u>	<u>—</u>	<u>125,000</u>	<u>2,545,000</u>	<u>112,024</u>
Total General Obligation Bonds				<u>\$ 2,885,000</u>	<u>\$ —</u>	<u>\$ 235,000</u>	<u>\$ 2,650,000</u>	<u>\$ 119,274</u>
General Obligation Notes								
Corporate Purpose Series 2003	1,390,000	11-1-03	3.00 - 4.15	\$ 1,080,000	\$ —	\$ 90,000	\$ 990,000	\$ 38,785
Corporate Purpose Series 2004	940,000	12-1-04	3.10 - 3.90	<u>735,000</u>	<u>—</u>	<u>80,000</u>	<u>655,000</u>	<u>25,567</u>
Total General Obligation Notes				<u>\$ 1,815,000</u>	<u>\$ —</u>	<u>\$ 170,000</u>	<u>\$ 1,645,000</u>	<u>\$ 64,352</u>
Water Revenue Bonds								
2002 Issue	40,000	10-8-02	3.00	\$ 29,000	\$ —	\$ 2,000	\$ 27,000	\$ 870
2006 Issue	1,150,000	5-1-06	3.95 - 4.20	<u>935,000</u>	<u>—</u>	<u>120,000</u>	<u>815,000</u>	<u>37,940</u>
Total Water Revenue Bonds				<u>\$ 964,000</u>	<u>\$ —</u>	<u>\$ 122,000</u>	<u>\$ 842,000</u>	<u>\$ 38,810</u>
Nonbonded Indebtedness								
Rural Electric Cooperative	200,000	6-29-06	0.00 - 2.00	<u>\$ 160,000</u>	<u>\$ —</u>	<u>\$ 20,000</u>	<u>\$ 140,000</u>	<u>\$ —</u>
Vinton Municipal Electric Utility (Component Unit)								
Street garage	253,000	6-30-03	0.00	\$ 12,650	\$ —	\$ 12,650	\$ —	\$ —
Aerial truck	62,098	6-1-07	4.00	<u>59,542</u>	<u>—</u>	<u>7,978</u>	<u>51,564</u>	<u>3,415</u>
Total Vinton Municipal Electric Utility				<u>\$ 72,192</u>	<u>\$ —</u>	<u>\$ 20,628</u>	<u>\$ 51,564</u>	<u>\$ 3,415</u>

Schedule of Bond and Note Maturities

At June 30, 2009

Year Ending June 30,	General Obligation Bonds				General Obligation Notes				Total
	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	
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.....		\$ 105,000		\$ 2,545,000		\$ 990,000		\$ 655,000	

Year Ending June 30,	Revenue Bonds				Benton County REC Note Road Construction Issued 6-29-06		Vinton Municipal Electric Utility Aerial Truck Issued 6-1-07		Total
	Water Revenue Bonds - 2002 Issued 10-8-02		Water Revenue Bonds - 2008 Issued 5-1-06		Interest Rates	Amount	Interest Rates	Amount	
	Interest Rates	Amount	Interest Rates	Amount					
2010.....	3.00%	\$ 2,000	3.95%	\$ 125,000	0.00%	\$ 20,000	4.00%	\$ 5,589	\$ 572,589
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.....		\$ 27,000		\$ 815,000		\$ 140,000		\$ 51,564	\$ 5,328,564

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

Years Ended June 30, 2006 Through 2009

	2009	2008	2007	2006
Receipts				
Property taxes	\$ 1,537,888	\$ 1,526,739	\$ 1,650,684	\$ 1,353,800
TIF collections	280,711	269,535	178,229	173,672
Other city tax	234,030	—	9,105	9,041
Licenses and permits.....	66,077	63,122	62,594	65,927
Use of money and property	28,533	70,180	176,261	143,821
Intergovernmental.....	1,505,360	991,497	512,879	837,498
Charges for service	620,404	657,860	565,010	515,668
Special assessments.....	22,596	34,916	27,850	29,919
Miscellaneous.....	<u>225,865</u>	<u>92,792</u>	<u>285,057</u>	<u>168,545</u>
Total Receipts	<u>\$ 4,521,464</u>	<u>\$ 3,706,641</u>	<u>\$ 3,467,669</u>	<u>\$ 3,297,891</u>
Disbursements				
Operating				
Public safety.....	\$ 887,273	\$ 752,390	\$ 709,217	\$ 671,404
Public works.....	808,293	710,570	693,681	651,511
Health and social services	14,842	12,585	14,476	15,003
Culture and recreation	798,952	709,141	729,993	719,368
Community and economic development.....	19,954	16,423	65,423	100,772
General government	426,648	397,033	382,315	370,014
Debt service.....	622,876	652,727	758,187	711,991
Capital projects.....	<u>634,942</u>	<u>1,406,539</u>	<u>1,339,191</u>	<u>828,830</u>
Total Disbursements	<u>\$ 4,213,780</u>	<u>\$ 4,657,408</u>	<u>\$ 4,692,483</u>	<u>\$ 4,068,893</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, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 7, 2010. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Vinton's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Vinton's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Vinton's internal control over financial reporting.

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiency described above, we believe item 09-II-IC-1 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Vinton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part 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, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

HOGAN - HANSEN

HOGAN - HANSEN

Waterloo, Iowa
January 7, 2010

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Certified Public Accountants and Consultants

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, 2009. 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, 2009.

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.

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

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 09-III-IC-1 to be a significant deficiency.

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. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 09-III-IC-1 to be a material weakness.

The City of Vinton, Iowa'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'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 7, 2010

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2009

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 Justice			
Indirect			
Bureau of Justice Assistance			
Bullet Proof Vest Partnership Program	16.607		<u>\$ 2,628</u>
U.S. Department of Transportation			
Direct			
Federal Aviation Administration			
Airport Improvement Program	20.106	3-19-0092-03	130,015
Airport Improvement Program	20.106	3-19-0092-04	<u>22,966</u>
			<u>152,981</u>
Indirect			
Federal Highway Administration			
Pass-Through Iowa Department of Transportation			
Highway Planning and Construction	20.205	STP-E-8017(606)-8V-06	26,136
		STP-U-8017(607)-70-06	<u>14,367</u>
			<u>40,503</u>
Total U.S. Department of Transportation			<u>193,484</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	011-94360-00	<u>583,261</u>
Pre-Disaster Mitigation.....	97.047	PDMC-2007-06-01	<u>86,451</u>
Total U.S. Department of Homeland Security			<u>669,712</u>
Total Expenditures of Federal Awards			<u>\$ 865,824</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 the cash 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, 2009

Part I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
Material weakness identified? yes no
Significant deficiency identified not considered to be
material weaknesses? yes no

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 no

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 Number

97.036

Name of Federal Program or Cluster

Disaster Grants - Public Assistance
(Presidentially Declared Disasters)

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

Significant Deficiencies

09-II-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 where cost beneficial.

Auditor's Conclusion - Response accepted.

Instances of Noncompliance

There were no instances of noncompliance reported.

Part III: Findings and Questioned Costs for Federal Awards

Significant Deficiencies

09-III-IC-1 Segregation of Duties Over Major Programs

Adequate control procedures through the segregation of employee duties is difficult to achieve due to the limited number of staff administering grants and performing accounting functions. See finding 09-II-IC-1 for additional information.

Instances of Noncompliance

There were no instances of noncompliance reported.

Schedule of Findings and Questioned Costs

Part IV: Compliance and Other Matters

- 09-IV-C-1 Certified Budget** - Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted.
- 09-IV-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.
- 09-IV C-3 Travel Expense** - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- 09-IV-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
Lisa Vermedahl, Council member, spouse of owner of Three Rivers Insurance	Airport insurance	\$ 2,350
F. Ronald Elwick, Council member owner of Elwick Electric	Service, parts and supplies	5,003

In accordance with Chapter 362.5 of the Code of Iowa, the transactions with Council member Vermedahl may represent a conflict of interest since a competitive bidding process was not utilized and transactions were in excess of \$1,500. The transactions with Council member Elwick do not appear to represent a conflict of interest since transactions were entered into through competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa.

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; however, there are no other local carriers of airport insurance.

Auditor's Conclusion - Response accepted.

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

09-IV-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. We will review the costs of operations and monitor net revenue and determine if another rate increase is needed.

Auditor's Conclusion - Response accepted.