

CITY OF VINTON, IOWA
JUNE 30, 2010
FINANCIAL STATEMENTS

Table of Contents

Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis (MD&A)	4-10
Basic Financial Statements	
Government-Wide Financial Statement	
Statement of Activities and Net Assets - Cash Basis.....	11
Governmental Fund Financial Statements	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances.....	12
Proprietary Fund Financial Statement	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances.....	13
Fiduciary Fund Financial Statement	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances.....	14
Notes to the Financial Statements.....	15-24
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.....	25
Other Supplementary Information	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds.....	26-27
Schedule of Indebtedness.....	28
Schedule of Bond and Note Maturities	29
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds.....	30
Financial Assistance Section	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters	31-32
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	33-34
Schedule of Expenditures of Federal Awards	35
Schedule of Findings and Questioned Costs	36-39

Officials

Name	Title	Term Expires
Elected Officials - Before January, 2010		
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
Elected Officials - After January, 2010		
John R. Watson	Mayor	January 1, 2012
Ron Hessenius	Council member - 1st Ward	January 1, 2014
F. Ronald Elwick	Council member - 2nd Ward	January 1, 2012
Bud Maynard	Council member - 3rd Ward	January 1, 2014
Lisa Vermedahl	Council member - 4th Ward	January 1, 2012
David Redlinger	Council member at large	January 1, 2014
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

HOGAN • HANSEN

A Professional Corporation

Certified Public Accountants and Consultants

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, 2010, 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, 2010, 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 November 24, 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
Page 2

Management's Discussion and Analysis and budgetary comparison information on Pages 4 through 10 and Page 25 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 three years ended June 30, 2009 (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 26 through 30, and the schedule of expenditures of federal awards on Page 35 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
November 24, 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, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

Total receipts of the City increased 4.8%, or approximately \$298,000, from fiscal 2009 to fiscal 2010. Property tax receipts, including TIF collections and other city taxes and assessments, increased \$168,663, charges for services increased \$18,262, grants, contributions and restricted interest increased by \$136,904.

Disbursements increased 36.3%, or approximately \$2,073,000, in fiscal 2010 from fiscal 2009. Capital projects disbursements increased by approximately \$1,201,000 while business-type activities decreased by approximately \$232,000.

The City's total cash basis net assets decreased 35.1%, or approximately \$1,308,000, from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities decreased approximately \$907,000 and the assets of the business-type activities decreased by approximately \$401,000.

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 the City's indebtedness. In addition, the schedule of expenditures of federal awards provides details of various federal programs benefiting the City.

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, (d) the Capital Projects Funds and (e) the Permanent Fund. 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. Proprietary 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 Proprietary 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 14. 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 \$2,235,454 a year ago to \$1,329,025. 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>2010</u>	<u>2009</u>
Receipts and Transfers		
Program Receipts		
Charges for service	\$ 621,956	\$ 648,571
Operating grants, contributions and restricted interest	1,387,573	1,055,510
Capital grants, contributions and restricted interest	649,280	667,119
General Receipts		
Property tax and TIF collections	1,896,096	1,818,599
Other city taxes	325,196	234,030
Licenses		
Permits and franchise fees	55,805	66,077
Unrestricted interest on investments	14,353	22,962
Other general receipts	23,750	8,596
Interfund loans	455,000	—
Transfers, net	<u>182,831</u>	<u>190,260</u>
Total Receipts and Transfers	<u>5,611,840</u>	<u>4,711,724</u>
Disbursements		
Public safety	906,850	887,273
Public works	1,380,414	808,293
Health and social services	20,355	14,842
Culture and recreation	931,478	798,952
Community and economic development	374,213	19,954
General government	453,244	426,648
Debt service	616,038	622,876
Capital projects	<u>1,835,677</u>	<u>634,942</u>
Total Disbursements	<u>6,518,269</u>	<u>4,213,780</u>
Increase (Decrease) in Cash Basis Net Assets	(906,429)	497,944
Cash Basis Net Assets - Beginning of Year	<u>2,235,454</u>	<u>1,737,510</u>
Cash Basis Net Assets - End of Year	<u>\$ 1,329,025</u>	<u>\$ 2,235,454</u>

The cost of all governmental activities this year was \$6,518,269 compared to \$4,213,780 last year. As shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was only \$3,859,460 because some of the cost was paid by those directly benefiting from the programs (\$621,956) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$2,036,853). The City paid for the remaining “public benefit” portion of governmental activities with \$2,315,200 in general receipts, \$637,831 in transfers and loans from business-type activities and has \$1,329,025 in cash balances carried forward.

Changes in Cash Basis Net Assets of Business-Type Activities

	<u>Year Ended June 30,</u>	
	2010	2009
Receipts		
Charges for Service		
Water utility	\$ 513,919	\$ 509,752
Wastewater treatment	471,160	475,183
Landfill/recycling	420,412	398,275
Operating Grants, Interest and Other		
Water utility	5,908	17,539
Wastewater treatment	80,217	246,607
Landfill/recycling	8,406	7,705
Total Receipts	<u>1,500,022</u>	<u>1,655,061</u>
Disbursements and Transfers		
Water utility	527,269	508,109
Wastewater treatment	356,712	621,992
Landfill/recycling	379,523	365,333
Transfers	182,831	190,260
Interfund loans	455,000	—
Total Disbursements and Transfers	<u>1,901,335</u>	<u>1,685,694</u>
Decrease in Cash Basis Net Assets	(401,313)	(30,633)
Cash Basis Net Assets - Beginning of Year	<u>1,492,348</u>	<u>1,522,981</u>
Cash Basis Net Assets - End of Year	<u>\$ 1,091,035</u>	<u>\$ 1,492,348</u>

Total business-type activities receipts for the fiscal year were approximately \$1,500,000 compared to approximately \$1,655,000 last year. The decrease was due to funds received from the Federal Emergency Management Agency for flood damage to City property.

The cash balance decreased approximately \$401,000 and the total disbursements for the fiscal year increased 12.8% to approximately \$1,901,000 due to increased costs for wages, benefits, utilities and \$455,000 approved by Council for an economic development incentive for the building of a new hotel and new street for hotel access. The \$455,000 will be repaid in Tax Increment Finance revenue.

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 \$1,329,025, a decrease of \$906,429 from last year's total of \$2,235,454. 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 \$159,917 from the prior year to \$837,516 primarily due to flood-related expenses that have not yet been reimbursed by FEMA and expenses related to the purchase of a used aerial fire truck and expansion of the fire station that will be reimbursed through Local Option Sales Tax revenue. Increased personnel and utility expenses contributed to this decrease.
- The Road Use Tax Special Revenue Fund increased \$76,120 from the prior year to \$210,967 primarily due to reduction in the amount of road maintenance performed and a delayed railroad crossing reconstruction.
- The Local Option Sales Tax Fund increased \$69,683 to \$245,289 due to collection of funds that were not transferred during the fiscal year.
- The Capital Projects Flood Mitigation Fund decreased \$768,018 to (\$623,777) due to funds expended in the City's flood property acquisition program that had not yet been reimbursed by the end of the fiscal year.
- 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 \$15,327, a decrease of \$12,501 from the previous year.

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

- The water utility cash balance decreased by \$25,781 to \$238,198 due to higher costs in wages, benefits and utilities.
- The wastewater treatment cash balance decreased by \$399,827 to \$762,608 due to an economic development incentive approved by Council for the construction of a new hotel and a street extension for the hotel. These funds will be repaid by Tax Increment Finance revenue.
- The landfill/recycling cash balance increased by \$24,295 to \$90,229 primarily due to lower than anticipated costs associated with solid waste collection.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 27, 2010. Cash disbursements exceeded the amounts budgeted in Culture and Recreation by \$1,405 and in Debt Service by \$2,761. The City takes these overruns seriously and will more closely track its expenditures in the future to avoid them.

The City continues to recover from the flooding of 2008 and the financial statements reflect this recovery effort. It is anticipated that a large majority of the funds spent on the recovery will be reimbursed through the Federal Emergency Management Agency.

The City completed the restoration of two blocks of 9th Street with the replacement of one sanitary sewer manhole and also began the restoration of two blocks of West 10th Street along with the replacement of two sanitary sewer manholes. Both of these projects were financed through Local Option Sales Tax revenue with no new debt service financing.

Through financing made available by the Federal Emergency Management Agency and a Community Development Block Grant, the City was able to purchase 28 flood-damaged properties. The structures have been turned into greenspace and will become park space or part of the City's future trail system.

The Vinton Fire Department purchased a used aerial fire truck for \$35,000. This equipment passed inspections to make sure it was safe to operate. The funding for this vehicle will come from the funds set aside for the department from Local Option Sales Tax revenue.

The City assisted financially with the building of a new hotel in Vinton which will increase the economic development of the community bringing in additional local option sales tax, water utility, wastewater utility and electric utility revenue. A new street was built for access to the new hotel. The funds spent assisting this construction will be repaid through Tax Increment Finance revenue.

DEBT ADMINISTRATION

At June 30, 2010, the City had \$4,710,000 in bonds and other long-term debt, compared to \$5,277,000 last year, as shown below:

Outstanding Debt at Year End

	<u>Year Ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
General obligation bonds and notes	\$ 3,875,000	\$ 4,295,000
Water revenue bonds	715,000	842,000
Rural electric cooperative note	<u>120,000</u>	<u>140,000</u>
Total	<u>\$ 4,710,000</u>	<u>\$ 5,277,000</u>
Loans From Vinton Municipal Electric Utility (Component Unit)	<u>\$ 45,975</u>	<u>\$ 51,564</u>
Interfund Loans	<u>\$ 455,000</u>	<u>\$ —</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 and rural electric cooperative debt of \$3,995,000 is below its constitutional debt limit of \$10,804,425.

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 2011 budget, tax rates and fees that will be charged for various City activities.

The City will be considering the refinancing of two bond issues in order to lower the annual debt service for the City. The City borrowed \$330,000 from the Vinton Municipal Electric Utility to purchase new equipment for the street department. The City will begin to levy to pay this new debt service in FY 2011.

The City will continue to perform maintenance on the City streets through revenue collected through the Local Option Sales Tax. Water and Wastewater Treatment revenue will be reviewed on an ongoing basis to determine if the net revenue will meet necessary obligations.

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, 2010

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	\$ 906,850	\$ —	\$ 767,714	\$ —	\$ (139,136)	\$ —	\$ (139,136)	\$ —
Public works	1,380,414	94,274	475,225	—	(810,915)	—	(810,915)	—
Health and social services	20,355	—	4,366	—	(15,989)	—	(15,989)	—
Culture and recreation	931,478	232,963	117,437	—	(581,078)	—	(581,078)	—
Community and economic development	374,213	—	—	—	(374,213)	—	(374,213)	—
General government	453,244	294,719	17,525	—	(141,000)	—	(141,000)	—
Debt service	616,038	—	—	—	(616,038)	—	(616,038)	—
Capital projects	1,835,677	—	5,306	649,280	(1,181,091)	—	(1,181,091)	—
Total Governmental Activities	6,518,269	621,956	1,387,573	649,280	(3,859,460)	—	(3,859,460)	—
Business-Type Activities								
Water utility	527,269	513,919	1,168	—	—	(12,182)	(12,182)	—
Wastewater treatment	356,712	471,160	75,649	—	—	190,097	190,097	—
Landfill/recycling	379,523	420,412	8,134	—	—	49,023	49,023	—
Total Business-Type Activities	1,263,504	1,405,491	84,951	—	—	226,938	226,938	—
Total Primary Government	\$ 7,781,773	\$ 2,027,447	\$ 1,472,524	\$ 649,280	(3,859,460)	226,938	(3,632,522)	—
Component Unit								
Vinton Municipal Electric Utility	\$ 5,243,643	\$ 3,875,703	\$ —	\$ 1,138,943	—	—	—	(228,997)
General Receipts								
Property Tax Levied for								
General purposes					914,863	—	914,863	—
Employee benefits					420,805	—	420,805	—
Tax increment financing					235,937	—	235,937	—
Debt service					297,389	—	297,389	—
Emergency fund					27,102	—	27,102	—
Local option sales tax					325,196	—	325,196	—
Licenses, permits and franchise fees					55,805	—	55,805	—
Unrestricted interest on investments					14,353	9,580	23,933	68,445
Debt repayment					—	—	—	5,588
Miscellaneous					23,750	—	23,750	—
Interfund loans					455,000	(455,000)	—	—
Transfers in (out)					182,831	(182,831)	—	—
Total General Receipts and Transfers					2,953,031	(628,251)	2,324,780	74,033
Change in Cash Basis Net Assets					(906,429)	(401,313)	(1,307,742)	(154,964)
Cash Basis Net Assets - Beginning of Year					2,235,454	1,492,348	3,727,802	2,793,170
Cash Basis Net Assets - End of Year					\$ 1,329,025	\$ 1,091,035	\$ 2,420,060	\$ 2,638,206
Cash Basis Net Assets								
Restricted								
Nonexpendable								
Tobin Trust					\$ 100,000	\$ —	\$ 100,000	\$ —
Expendable								
Streets					210,967	—	210,967	—
Urban renewal purposes					282,399	—	282,399	—
Debt service					15,327	219,109	234,436	—
Other purposes					(117,184)	—	(117,184)	—
Unrestricted					837,516	871,926	1,709,442	2,638,206
Total Cash Basis Net Assets					\$ 1,329,025	\$ 1,091,035	\$ 2,420,060	\$ 2,638,206

See accompanying notes to the financial statements.

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

As of and for the Year Ended June 30, 2010

	General Fund	Special Revenue - Road Use Tax	Special Revenue - Local Option Sales Tax	Capital Projects - Flood Mitigation	Debt Service	Other Nonmajor Governmental Funds	Total
Receipts							
Property taxes	\$ 914,863	\$ —	\$ —	\$ —	\$ 297,390	\$ 447,906	\$ 1,660,159
TIF collections	—	—	—	—	—	235,937	235,937
Other city taxes.....	—	—	325,196	—	—	—	325,196
Licenses and permits.....	55,805	—	—	—	—	—	55,805
Use of money and property	7,811	—	803	—	6,819	3,181	18,614
Intergovernmental.....	792,566	473,270	—	648,714	—	566	1,915,116
Charges for service	592,712	—	—	—	—	—	592,712
Special assessments.....	—	—	—	—	24,841	142	24,983
Miscellaneous.....	140,180	—	—	268	—	5,039	145,487
Total Receipts	<u>2,503,937</u>	<u>473,270</u>	<u>325,999</u>	<u>648,982</u>	<u>329,050</u>	<u>692,771</u>	<u>4,974,009</u>
Disbursements							
Operating							
Public Safety.....	896,129	—	—	—	—	10,721	906,850
Public Works.....	1,020,617	359,797	—	—	—	—	1,380,414
Health and Social Services.....	6,947	—	13,408	—	—	—	20,355
Culture and Recreation.....	914,478	—	17,000	—	—	—	931,478
Community and Economic Development	27,511	—	11,702	—	—	335,000	374,213
General Government.....	453,244	—	—	—	—	—	453,244
Debt Service	—	—	—	—	616,038	—	616,038
Capital Projects	—	—	—	1,417,000	—	418,677	1,835,677
Total Disbursements	<u>3,318,926</u>	<u>359,797</u>	<u>42,110</u>	<u>1,417,000</u>	<u>616,038</u>	<u>764,398</u>	<u>6,518,269</u>
Receipts Over (Under) Disbursements.....	<u>(814,989)</u>	<u>113,473</u>	<u>283,889</u>	<u>(768,018)</u>	<u>(286,988)</u>	<u>(71,627)</u>	<u>(1,544,260)</u>
Other Financing Sources (Uses)							
Interfund loans.....	—	—	—	—	—	455,000	455,000
Transfers in.....	664,149	—	—	—	274,487	298,722	1,237,358
Transfers out	(9,077)	(37,353)	(214,206)	—	—	(793,891)	(1,054,527)
Total Other Financing Sources (Uses)	<u>655,072</u>	<u>(37,353)</u>	<u>(214,206)</u>	<u>—</u>	<u>274,487</u>	<u>(40,169)</u>	<u>637,831</u>
Net Change in Cash Balances.....	<u>(159,917)</u>	<u>76,120</u>	<u>69,683</u>	<u>(768,018)</u>	<u>(12,501)</u>	<u>(111,796)</u>	<u>(906,429)</u>
Cash Balances - Beginning of Year.....	997,433	134,847	175,606	144,241	27,828	755,499	2,235,454
Cash Balances - End of Year	<u>\$ 837,516</u>	<u>\$ 210,967</u>	<u>\$ 245,289</u>	<u>\$ (623,777)</u>	<u>\$ 15,327</u>	<u>\$ 643,703</u>	<u>\$ 1,329,025</u>
Cash Basis Fund Balances							
Reserved for							
Debt service.....	\$ —	\$ —	\$ —	\$ —	\$ 15,327	\$ —	\$ 15,327
Unreserved							
General Fund.....	837,516	—	—	—	—	—	837,516
Special Revenue Fund	—	210,967	245,289	—	—	331,760	788,016
Capital Projects Fund	—	—	—	(623,777)	—	211,943	(411,834)
Permanent Fund.....	—	—	—	—	—	100,000	100,000
Total Cash Basis Fund Balances	<u>\$ 837,516</u>	<u>\$ 210,967</u>	<u>\$ 245,289</u>	<u>\$ (623,777)</u>	<u>\$ 15,327</u>	<u>\$ 643,703</u>	<u>\$ 1,329,025</u>

See accompanying notes to the financial statements.

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

As of and for the Year Ended June 30, 2010

	Water Utility	Wastewater Treatment	Landfill/ Recycling	Total
Operating Receipts				
Charges for service	\$ 511,099	\$ 471,160	\$ 420,412	\$ 1,402,671
Miscellaneous.....	<u>1,168</u>	<u>11</u>	<u>1,134</u>	<u>2,313</u>
Total Operating Receipts.....	<u>512,267</u>	<u>471,171</u>	<u>421,546</u>	<u>1,404,984</u>
Operating Disbursements				
Business-type activities	<u>357,736</u>	<u>350,158</u>	<u>371,928</u>	<u>1,079,822</u>
Operating Receipts Over				
Operating Disbursements	<u>154,531</u>	<u>121,013</u>	<u>49,618</u>	<u>325,162</u>
Nonoperating Receipts (Disbursements)				
Intergovernmental.....	—	75,638	7,000	82,638
Interest on deposits	4,740	4,568	272	9,580
Rents	2,820	—	—	2,820
Debt service.....	(161,538)	—	(7,595)	(169,133)
Capital outlay.....	<u>(7,995)</u>	<u>(6,554)</u>	<u>—</u>	<u>(14,549)</u>
Net Nonoperating Receipts (Disbursements).....	<u>(161,973)</u>	<u>73,652</u>	<u>(323)</u>	<u>(88,644)</u>
Receipts Over (Under)				
Disbursements	<u>(7,442)</u>	<u>194,665</u>	<u>49,295</u>	<u>236,518</u>
Other Financing Sources (Uses)				
Interfund loans.....	—	(455,000)	—	(455,000)
Transfers in.....	47,655	10,599	—	58,254
Transfers out	<u>(65,994)</u>	<u>(150,091)</u>	<u>(25,000)</u>	<u>(241,085)</u>
Total Other Financing Uses	<u>(18,339)</u>	<u>(594,492)</u>	<u>(25,000)</u>	<u>(637,831)</u>
Net Change in Cash Balances.....	<u>(25,781)</u>	<u>(399,827)</u>	<u>24,295</u>	<u>(401,313)</u>
Cash Balances - Beginning of Year.....	<u>263,979</u>	<u>1,162,435</u>	<u>65,934</u>	<u>1,492,348</u>
Cash Balances - End of Year.....	<u>\$ 238,198</u>	<u>\$ 762,608</u>	<u>\$ 90,229</u>	<u>\$ 1,091,035</u>
Cash Basis Fund Balances				
Reserved for debt service.....	\$ 219,109	\$ —	\$ —	\$ 219,109
Unreserved.....	<u>19,089</u>	<u>762,608</u>	<u>90,229</u>	<u>871,926</u>
Total Cash Basis Fund Balances	<u>\$ 238,198</u>	<u>\$ 762,608</u>	<u>\$ 90,229</u>	<u>\$ 1,091,035</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, 2010

	Agency Funds
Receipts	
Deposits.....	\$ 28,045
Disbursements	
Refunds of deposits.....	<u>24,276</u>
Net Change in Cash Balances	3,769
Cash Balances - Beginning of Year.....	<u>80,420</u>
Cash Balances - End of Year	<u>\$ 84,189</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 five-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 the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable 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 not meeting the definition of the preceding categories. 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.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Special Revenue

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

The *Local Option Sales Tax Fund* is used to account for the receipts of a 1% local sales tax for Property Tax Relief, Capital Projects, Public Library, Fire Department, Park and Recreation Department, Vinton Unlimited and nonprofits serving the residents of Vinton.

Capital Projects

The *Flood Mitigation Fund* is used to account for the flood mitigation work being done by the City which is financed primarily with federal and state disaster grants.

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.

The City reports the following major proprietary funds:

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

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

The *Enterprise 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 deposit 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.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Proprietary 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, 2010, disbursements exceeded the amounts budgeted in the Culture and Recreation and Debt Service functions.

(2) Deposits and Investments

The City's deposits in banks at June 30, 2010 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.

The City's cash and investments at June 30, 2010 were as follows:

United States Series HH Bonds	\$ 2,000
Cash and certificates of deposit	<u>2,502,249</u>
Total	<u>\$ 2,504,249</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 within 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.

Notes to the Financial Statements

(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 Electric Utility From Landfill Fund		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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	395,000	103,129	152,000	6,810	20,394	673	6,812	783	574,206	111,395
2016-20	1,495,000	292,315	10,000	1,650	20,814	252	14,460	731	1,540,274	294,948
2021-25	595,000	51,103	5,000	240	—	—	—	—	600,000	51,343
	<u>\$ 3,875,000</u>	<u>\$ 994,642</u>	<u>\$715,000</u>	<u>\$ 93,362</u>	<u>\$120,000</u>	<u>\$5,334</u>	<u>\$45,975</u>	<u>\$7,192</u>	<u>\$ 4,755,975</u>	<u>\$ 1,100,530</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 \$808,362. For the current year, principal and interest paid and net receipts were \$161,070 and \$162,091, 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.
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.

Notes to the Financial Statements

(3) Bonds and Notes Payable

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, 2010.

Loans From Component Unit

During the year ended June 30, 2007, the Utility loaned \$62,098 to the City of Vinton to help finance the purchase of an aerial truck. The City made repayment of \$7,595 during the year ended June 30, 2010 which included interest of \$2,006. The notes payable balance was \$45,975 at June 30, 2010.

Interfund Loans

The City Council approved a noninterest-bearing interfund loan in the amount of \$335,000 on October 2, 2009 and an additional \$120,000 noninterest-bearing interfund loan on October 22, 2009, from the Enterprise Wastewater Treatment Fund to the Special Revenue West TIF #1 Fund. Payments are to be made from annual TIF receipts generated by increased property values in the West TIF #1 district. No payments were made during the year ended June 30, 2010. The interfund loan balance was \$455,000 at June 30, 2010.

(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.

Notes to the Financial Statements

(4) Pension and Retirement Benefits

For the year ended June 30, 2010, most plan members were required to contribute 4.3% of their annual salary and the City was required to contribute 6.65% 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, 2010, 2009 and 2008 were \$133,410, \$114,855 and \$114,704, 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, 2010
Primary Government	
Vacation.....	\$ 44,000
Sick leave	307,000
	<u>\$ 351,000</u>

The liability has been computed based on rates of pay as of June 30, 2010.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer To	Transfer From	Amount
General	Major Governmental	
	Local Sales Tax	\$ 11,706
	Nonmajor Governmental	
	FICA/IPERS	138,760
	Employee Benefits	269,836
	SE TIF #1	27,229
	West TIF #1	5,000
	SW TIF	6,518
	West TIF #2	6,000
	Capital Projects - Miscellaneous	41,051
	Permanent	1,148

Notes to the Financial Statements

(6) Interfund Transfers

General	Enterprise	
	Water Utility	\$ 65,994
	Wastewater Treatment	65,907
	Landfill/Recycling	<u>25,000</u>
		<u>664,149</u>
Debt Service	Major Governmental	
	Road Use Tax	15,069
	Nonmajor Governmental	
	Local Sales Tax	67,500
	NW TIF	32,168
	SE TIF #1	75,647
	West TIF #1	7,979
	SW TIF	13,830
	Downtown TIF	13,110
	Enterprise	
	Wastewater Treatment	<u>49,184</u>
		<u>274,487</u>
Capital Projects	Major Governmental	
Miscellaneous	Local Sales Tax	135,000
	Nonmajor Governmental	
	West TIF #2	<u>6,000</u>
		<u>141,000</u>
West TIF #1 Projects	Major Governmental	
	Road Use Tax	22,284
	Nonmajor Governmental	
	West TIF #1	<u>123,273</u>
		<u>145,557</u>
West TIF #2 Projects	West TIF #2	<u>1,750</u>
NW TIF	SW TIF	<u>1,338</u>
Maple Lane Storm Shelter	General Fund	<u>9,077</u>
Enterprise	Enterprise	
Water Utility	Wastewater Treatment	35,000
	Nonmajor Governmental	
	SE TIF #1	<u>12,655</u>
		<u>47,655</u>
Wastewater Treatment	Nonmajor Governmental	
	West TIF #2	6,000
	Capital Projects	
	County Home Extension	<u>4,599</u>
		<u>10,599</u>
Total		<u>\$ 1,295,612</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 \$19,519 during the year ended June 30, 2010.

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 6.52% at June 30, 2010. 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	\$ 133,073
Amounts paid by the City for services	131,771
Payable from the City at year end for electric services	12,277
Amounts paid by the City for loan repayments including interest of \$2,006	7,595
Note balances at year end.....	45,975
Payments received by the City for services received	212,491

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	\$ 2,338,012
Cash payments to RPGI.....	2,328,965
Payable to RPGI at June 30, 2010	241,403
Investment in RPGI	—
Share of RPGI net cash.....	192,403

(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 the current fiscal year, or material claims paid, during the past three fiscal years.

(10) Commitments

The City is involved in construction of various community projects. At June 30, 2010, the City was committed to approximately \$392,000 of construction contracts and equipment purchases.

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) Deficit Balance

The Capital Projects - Flood Mitigation Fund had a deficit balance of \$623,777 at June 30, 2010. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of federal and state funds.

(12) Subsequent Event

Subsequent to June 30, 2010, the City Council approved approximately \$177,000 in contracts for miscellaneous construction projects.

In July, 2010, the City received a \$330,000 loan at 2.5% from the Electric Utility which the Utility approved in May, 2010.

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, 2010

	Governmental Funds - Actual	Enterprise Funds - Actual	Discretely Presented Component Unit - Actual	Net	Budgeted Amounts		Over (Under) Budget
					Original	Final	
Receipts							
Property taxes	\$ 1,660,159	\$ —	\$ —	\$ 1,660,159	\$ 1,661,359	\$ 1,661,359	\$ (1,200)
TIF collections	235,937	—	—	235,937	214,007	214,007	21,930
Other city taxes.....	325,196	—	—	325,196	282,015	282,015	43,181
Licenses and permits.....	55,805	—	—	55,805	60,000	60,000	(4,195)
Use of money and property	18,614	12,400	68,445	99,459	304,617	304,617	(205,158)
Intergovernmental.....	1,915,116	82,638	1,138,943	3,136,697	3,574,370	3,747,370	(610,673)
Charges for service	592,712	1,402,671	3,875,703	5,871,086	5,738,470	5,738,470	132,616
Special assessments.....	24,983	—	—	24,983	20,000	20,000	4,983
Miscellaneous.....	145,487	2,313	5,588	153,388	14,300	14,300	139,088
Total Receipts.....	4,974,009	1,500,022	5,088,679	11,562,710	11,869,138	12,042,138	(479,428)
Disbursements							
Public Safety.....	906,850	—	—	906,850	839,639	994,639	(87,789)
Public Works.....	1,380,414	—	—	1,380,414	1,256,332	1,586,332	(205,918)
Health and Social Services.....	20,355	—	—	20,355	28,832	28,832	(8,477)
Culture and Recreation.....	931,478	—	—	931,478	860,073	930,073	1,405
Community and Economic Development	374,213	—	—	374,213	381,750	401,750	(27,537)
General Government.....	453,244	—	—	453,244	405,966	455,966	(2,722)
Debt Service	616,038	—	—	616,038	613,277	613,277	2,761
Capital Projects	1,835,677	—	—	1,835,677	2,697,330	2,697,330	(861,653)
Business-Type Activities.....	—	1,263,504	5,243,643	6,507,147	7,405,577	7,405,577	(898,430)
Total Disbursements.....	6,518,269	1,263,504	5,243,643	13,025,416	14,488,776	15,113,776	(2,088,360)
Receipts Over (Under) Disbursements.....	(1,544,260)	236,518	(154,964)	(1,462,706)	(2,619,638)	(3,071,638)	1,608,932
Other Financing Sources (Uses), Net.....	637,831	(637,831)	—	—	—	—	—
Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(906,429)	(401,313)	(154,964)	(1,462,706)	(2,619,638)	(3,071,638)	1,608,932
Balances - Beginning of Year	2,235,454	1,492,348	2,793,170	6,520,972	8,477,209	8,477,209	(1,956,237)
Balances - End of Year.....	\$ 1,329,025	\$ 1,091,035	\$ 2,638,206	\$ 5,058,266	\$ 5,857,571	\$ 5,405,571	\$ 347,305

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 \$625,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the Culture and Recreation and Debt Service functions.

Other Supplementary Information



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

Year Ended June 30, 2010

	Special Revenue									
	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	\$ 27,102	\$ 147,064	\$ 273,740	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
TIF collections	—	—	—	723	119,928	59,945	20,919	8,853	25,569	—
Use of money and property	95	—	—	455	278	54	20	136	172	1,148
Intergovernmental.....	—	—	—	—	—	—	—	—	—	—
Special assessments.....	—	—	—	—	—	—	—	—	—	—
Miscellaneous.....	—	—	—	—	—	—	—	—	—	—
Total Receipts.....	<u>27,197</u>	<u>147,064</u>	<u>273,740</u>	<u>1,178</u>	<u>120,206</u>	<u>59,999</u>	<u>20,939</u>	<u>8,989</u>	<u>25,741</u>	<u>1,148</u>
Disbursements										
Operating										
Public Safety	10,721	—	—	—	—	—	—	—	—	—
Community and Economic Development.....	—	—	—	—	—	335,000	—	—	—	—
Capital projects.....	—	—	—	—	—	—	—	—	—	—
Total Disbursements.....	<u>10,721</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>335,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Receipts Over (Under) Disbursements.....	<u>16,476</u>	<u>147,064</u>	<u>273,740</u>	<u>1,178</u>	<u>120,206</u>	<u>(275,001)</u>	<u>20,939</u>	<u>8,989</u>	<u>25,741</u>	<u>1,148</u>
Other Financing Sources (Uses)										
Interfund loans.....	—	—	—	—	—	455,000	—	—	—	—
Transfers in.....	—	—	—	—	—	—	—	—	—	—
Transfers out	—	(138,760)	(269,836)	(32,168)	(115,531)	(136,252)	(21,686)	(13,110)	(19,750)	(1,148)
Other Financing Sources (Uses)	<u>—</u>	<u>(138,760)</u>	<u>(269,836)</u>	<u>(32,168)</u>	<u>(115,531)</u>	<u>318,748</u>	<u>(21,686)</u>	<u>(13,110)</u>	<u>(19,750)</u>	<u>(1,148)</u>
Net Change in Cash Balances.....	16,476	8,304	3,904	(30,990)	4,675	43,747	(747)	(4,121)	5,991	—
Cash Balances - Beginning of Year.....	28,983	6,296	27,681	109,125	33,606	1,629	4,732	41,123	31,346	100,000
Cash Balances - End of Year	<u>\$ 45,459</u>	<u>\$ 14,600</u>	<u>\$ 31,585</u>	<u>\$ 78,135</u>	<u>\$ 38,281</u>	<u>\$ 45,376</u>	<u>\$ 3,985</u>	<u>\$ 37,002</u>	<u>\$ 37,337</u>	<u>\$ 100,000</u>
Cash Basis Fund Balances										
Unreserved										
Special Revenue Funds	\$ 45,459	\$ 14,600	\$ 31,585	\$ 78,135	\$ 38,281	\$ 45,376	\$ 3,985	\$ 37,002	\$ 37,337	\$ —
Capital Projects Funds	—	—	—	—	—	—	—	—	—	—
Permanent Fund	—	—	—	—	—	—	—	—	—	100,000
Total Cash Basis Fund Balances	<u>\$ 45,459</u>	<u>\$ 14,600</u>	<u>\$ 31,585</u>	<u>\$ 78,135</u>	<u>\$ 38,281</u>	<u>\$ 45,376</u>	<u>\$ 3,985</u>	<u>\$ 37,002</u>	<u>\$ 37,337</u>	<u>\$ 100,000</u>

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

Year Ended June 30, 2010

	Capital Projects										
	Miscel- laneous	Community Disaster Grant	SAFE TEA LU	County Home Sewer Extension	West TIF #1 Projects	West TIF #2 Projects	NW TIF	Maple Lane Storm Shelter	Sidewalk Fund	Downtown Improve- ments	Total
Receipts											
Property taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 447,906
TIF collections	—	—	—	—	—	—	—	—	—	—	235,937
Use of money and property	253	302	166	—	13	—	23	2	63	1	3,181
Intergovernmental.....	—	—	—	—	—	—	—	566	—	—	566
Special assessments.....	—	—	—	—	—	—	—	—	142	—	142
Miscellaneous.....	1,039	—	—	—	—	—	—	—	—	4,000	5,039
Total Receipts.....	1,292	302	166	—	13	—	23	568	205	4,001	692,771
Disbursements											
Operating											
Public Safety	—	—	—	—	—	—	—	—	—	—	10,721
Community and Economic Development.....	—	—	—	—	—	—	—	—	—	—	335,000
Capital projects.....	162,272	98,695	4,038	—	108,498	1,750	1,338	21,488	8,630	11,968	418,677
Total Disbursements.....	162,272	98,695	4,038	—	108,498	1,750	1,338	21,488	8,630	11,968	764,398
Receipts Over (Under) Disbursements.....	(160,980)	(98,393)	(3,872)	—	(108,485)	(1,750)	(1,315)	(20,920)	(8,425)	(7,967)	(71,627)
Other Financing Sources (Uses)											
Interfund loans.....	—	—	—	—	—	—	—	—	—	—	455,000
Transfers in.....	141,000	—	—	—	145,557	1,750	1,338	9,077	—	—	298,722
Transfers out	(41,051)	—	—	(4,599)	—	—	—	—	—	—	(793,891)
Other Financing Sources (Uses)	99,949	—	—	(4,599)	145,557	1,750	1,338	9,077	—	—	(40,169)
Net Change in Cash Balances.....	(61,031)	(98,393)	(3,872)	(4,599)	37,072	—	23	(11,843)	(8,425)	(7,967)	(111,796)
Cash Balances - Beginning of Year.....	124,340	138,421	55,826	4,599	—	—	5,188	11,843	22,743	8,018	755,499
Cash Balances - End of Year	\$ 63,309	\$ 40,028	\$ 51,954	\$ —	\$ 37,072	\$ —	\$ 5,211	\$ —	\$ 14,318	\$ 51	\$ 643,703
Cash Basis Fund Balances											
Unreserved											
Special Revenue Funds.....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 331,760
Capital Projects Funds.....	63,309	40,028	51,954	—	37,072	—	5,211	—	14,318	51	211,943
Permanent Fund	—	—	—	—	—	—	—	—	—	—	100,000
Total Cash Basis Fund Balances	\$ 63,309	\$ 40,028	\$ 51,954	\$ —	\$ 37,072	\$ —	\$ 5,211	\$ —	\$ 14,318	\$ 51	\$ 643,703

Schedule of Indebtedness

Year Ended June 30, 2010

	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%	\$ 105,000	\$ —	\$ 105,000	\$ —	\$ 3,675
Corporate Purpose and Refunding Series 2006	2,875,000	8-1-06	4.13 - 4.30	<u>2,545,000</u>	<u>—</u>	<u>135,000</u>	<u>2,410,000</u>	<u>106,868</u>
Total General Obligation Bonds				<u>\$ 2,650,000</u>	<u>\$ —</u>	<u>\$ 240,000</u>	<u>\$ 2,410,000</u>	<u>\$ 110,543</u>
General Obligation Notes								
Corporate Purpose Series 2003	1,390,000	11-1-03	3.25 - 4.15	\$ 990,000	\$ —	\$ 95,000	\$ 895,000	\$ 36,445
Corporate Purpose Series 2004	940,000	12-1-04	3.25 - 3.90	<u>655,000</u>	<u>—</u>	<u>85,000</u>	<u>570,000</u>	<u>23,288</u>
Total General Obligation Notes				<u>\$ 1,645,000</u>	<u>\$ —</u>	<u>\$ 180,000</u>	<u>\$ 1,465,000</u>	<u>\$ 59,733</u>
Water Revenue Bonds								
2002 Issue	40,000	10-8-02	3.00	\$ 27,000	\$ —	\$ 2,000	\$ 25,000	\$ 810
2006 Issue	1,150,000	5-1-06	4.00 - 4.20	<u>815,000</u>	<u>—</u>	<u>125,000</u>	<u>690,000</u>	<u>33,260</u>
Total Water Revenue Bonds				<u>\$ 842,000</u>	<u>\$ —</u>	<u>\$ 127,000</u>	<u>\$ 715,000</u>	<u>\$ 34,070</u>
Nonbonded Indebtedness								
Rural Electric Cooperative	200,000	6-29-06	0.00 - 2.00	<u>\$ 140,000</u>	<u>\$ —</u>	<u>\$ 20,000</u>	<u>\$ 120,000</u>	<u>\$ —</u>
Vinton Municipal Electric Utility (Component Unit)								
Aerial truck	62,098	6-1-07	4.00	<u>\$ 51,564</u>	<u>\$ —</u>	<u>\$ 5,589</u>	<u>\$ 45,975</u>	<u>\$ 2,006</u>
Interfund Loans								
West TIF #1	335,000	10-2-09	0.00	\$ —	\$ 335,000	\$ —	\$ 335,000	\$ —
West TIF #1	120,000	10-22-09	0.00	<u>—</u>	<u>120,000</u>	<u>—</u>	<u>120,000</u>	<u>—</u>
Total Interfund Loans				<u>\$ —</u>	<u>\$ 455,000</u>	<u>\$ —</u>	<u>\$ 455,000</u>	<u>\$ —</u>

Schedule of Bond and Note Maturities

At June 30, 2010

Year Ending June 30,	General Obligation Bonds		General Obligation Notes			
	General Obligation Corporate Purpose and Refunding Series 2006		General Obligation Corporate Purpose Series 2003		General Obligation Corporate Purpose Series 2004	
	Issued 8-1-06		Issued 11-1-03		Issued 12-1-04	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
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.....		\$ 2,410,000		\$ 895,000		\$ 570,000

Year Ending June 30,	Revenue Bonds				Benton County REC Note		Vinton Municipal Electric Utility		Total
	Water Revenue Bonds - 2002		Water Revenue Bonds - 2006		Road Construction		Aerial Truck		
	Issued 10-8-02		Issued 5-1-06		Issued 6-29-06		Issued 6-1-07		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
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	6,547	543,537
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	7,373	329,373
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.....		\$ 25,000		\$ 690,000		\$ 120,000		\$ 45,975	\$ 4,755,975

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

Years Ended June 30, 2007 Through 2010

	2010	2009	2008	2007
Receipts				
Property taxes	\$ 1,660,159	\$ 1,537,888	\$ 1,526,739	\$ 1,650,684
TIF collections	235,937	280,711	269,535	178,229
Other city tax	325,196	234,030	—	9,105
Licenses and permits.....	55,805	66,077	63,122	62,594
Use of money and property	18,614	28,533	70,180	176,261
Intergovernmental.....	1,915,116	1,505,360	991,497	512,879
Charges for service	592,712	620,404	657,860	565,010
Special assessments.....	24,983	22,596	34,916	27,850
Miscellaneous.....	<u>145,487</u>	<u>225,865</u>	<u>92,792</u>	<u>285,057</u>
Total Receipts	<u>\$ 4,974,009</u>	<u>\$ 4,521,464</u>	<u>\$ 3,706,641</u>	<u>\$ 3,467,669</u>
Disbursements				
Operating				
Public safety.....	\$ 906,850	\$ 887,273	\$ 752,390	\$ 709,217
Public works.....	1,380,414	808,293	710,570	693,681
Health and social services	20,355	14,842	12,585	14,476
Culture and recreation	931,478	798,952	709,141	729,993
Community and economic development.....	374,213	19,954	16,423	65,423
General government	453,244	426,648	397,033	382,315
Debt service.....	616,038	622,876	652,727	758,187
Capital projects.....	<u>1,835,677</u>	<u>634,942</u>	<u>1,406,539</u>	<u>1,339,191</u>
Total Disbursements	<u>\$ 6,518,269</u>	<u>\$ 4,213,780</u>	<u>\$ 4,657,408</u>	<u>\$ 4,692,483</u>

Financial Assistance Section



HOGAN • HANSEN

A Professional Corporation

Certified Public Accountants and Consultants

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, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 24, 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 opinions 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 and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weaknesses is a deficiency, or a combination of deficiencies, in internal control such that that there is a reasonable possibility a material misstatement of the City of Vinton's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying schedule of findings and questioned as item 10-II-IC-1 to be 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, 2010 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

Waterloo, Iowa
November 24, 2010

HOGAN ♦ HANSEN

A Professional Corporation

Certified Public Accountants and Consultants

Independent Auditor's Report on Compliance With Requirements Applicable to Each 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 programs for the year ended June 30, 2010. The City of Vinton, Iowa's major federal programs are 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 programs 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, 2010.

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 was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 10-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
November 24, 2010

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

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 Housing and Urban Development			
Indirect			
Iowa Department of Economic Development Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DAMH-023	<u>\$ 283,978</u>
U.S. Department of Transportation			
Direct			
Federal Aviation Administration Airport Improvement Program	20.106	3-19-0092-05	<u>594,361</u>
U.S. Department of Education			
Indirect			
Iowa Department of Transportation ARRA - State Fiscal Stabilization Fund (SFSF) Government Services, Recovery Act.....	84.397	S397A090016A	<u>6,092</u>
U.S. Department of Homeland Security			
Indirect			
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>117,516</u>
Hazard Mitigation Grant (HMGP)	97.039	HMGP-DR-1763-0023-01	<u>851,027</u>
Total U.S. Department of Homeland Security			<u>968,543</u>
Total Expenditures of Federal Awards			<u>\$ 1,852,974</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, 2010

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

20.106
97.039

Name of Federal Program or Cluster

Airport Improvement Program
Hazard Mitigation Grant

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

Internal Control Deficiencies

10-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

Internal Control Deficiencies

10-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 10-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

10-IV-C-1 Certified Budget - Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the Culture and Recreation and Debt Service 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.

10-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.

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

10-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	14,688

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 use a competitive bidding process when possible; however, there are no other local carriers of airport insurance.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

10-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.

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

10-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.

10-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, 2010. We anticipate that this increase will guarantee net revenue equal to at least 120% of debt service.

Auditor's Conclusion - Response accepted.

10-IV-C-9 Financial Condition

Finding - The Capital Projects - Flood Mitigation Fund had a deficit balance of \$623,777 at June 30, 2010.

Auditor's Recommendation - The city should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

City's Response - The deficit was due to expenses incurred prior to receipt of a federal grant. The deficit will be eliminated.

Auditor's Conclusion - Response accepted.