

**CITY OF VINTON, IOWA**  
**JUNE 30, 2011**  
**FINANCIAL STATEMENTS**

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# Officials

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<b>Name</b>	<b>Title</b>	<b>Term Expires</b>
<b>Elected Officials</b>		
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
<b>Appointed Officials</b>		
Cindy Michael	Treasurer/City Clerk	Indefinite
Andrew Lent	City Coordinator	Indefinite
Fischer Law Firm	City Attorney	Indefinite

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# HOGAN • HANSEN

*A Professional Corporation*

Certified Public Accountants and Consultants

## Independent Auditor's Report

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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, 2011, 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, 2011, 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 26, 2012 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 10 and Page 26 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted 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 four years ended June 30, 2010 (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 27 through 31 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*HOGAN - HANSEN*

HOGAN - HANSEN

Waterloo, Iowa  
January 26, 2012

## **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, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

Total receipts of the City increased 21%, or approximately \$1,350,000, from fiscal 2010 to fiscal 2011. Property tax receipts, including TIF collections and other city taxes and assessments, decreased \$18,608, charges for services increased \$106,556 and grants, contributions and restricted interest decreased by \$394,921.

Disbursements decreased 8.4%, or approximately \$655,000, in fiscal 2011 from fiscal 2010. Capital projects disbursements decreased \$812,982 while business-type activities increased by approximately \$18,308.

The City's total cash basis net assets increased 29%, or approximately \$702,000, from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities increased approximately \$698,000 and the assets of the business-type activities increased by approximately \$4,000.

### **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.

## **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 increased from \$1,329,025 a year ago to \$2,026,637. 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>	
	2011	2010
<b>Receipts and Transfers</b>		
Program Receipts		
Charges for service	\$ 706,032	\$ 621,956
Operating grants, contributions and restricted interest	755,100	1,387,573
Capital grants, contributions and restricted interest	964,783	649,280
General Receipts		
Property tax and tax increment financing	1,934,737	1,896,096
Local option sales tax	305,162	325,196
Licenses		
Permits and franchise fees	62,757	55,805
Unrestricted interest on investments	13,932	14,353
Other general receipts	10,902	23,750
Debt proceeds	1,626,568	—
Interfund loans	—	455,000
Transfers, net	<u>162,294</u>	<u>182,831</u>
<b>Total Receipts and Transfers</b>	<b><u>6,542,267</u></b>	<b><u>5,611,840</u></b>
<b>Disbursements</b>		
Public safety	800,008	906,850
Public works	803,130	1,380,414
Health and social services	31,986	20,355
Culture and recreation	893,606	931,478
Community and economic development	25,087	374,213
General government	428,031	453,244
Debt service	1,840,112	616,038
Capital projects	<u>1,022,695</u>	<u>1,835,677</u>
<b>Total Disbursements</b>	<b><u>5,844,655</u></b>	<b><u>6,518,269</u></b>
<b>Increase (Decrease) in Cash Basis Net Assets</b>	<b>697,612</b>	<b>(906,429)</b>
Cash Basis Net Assets - Beginning of Year	<u>1,329,025</u>	<u>2,235,454</u>
<b>Cash Basis Net Assets - End of Year</b>	<b><u>\$ 2,026,637</u></b>	<b><u>\$ 1,329,025</u></b>

The City's total receipts for governmental activities increased 16.5%, or approximately \$930,000. The total cost of all programs and services decreased approximately \$670,000, or 10.3%, with no new programs added this year. The main reason for this change is the property acquisition program undertaken by the City where property was purchased during the past fiscal year (FYE 2010), thus higher expense, and the City receiving the reimbursement for those purchases during FYE 2011.

The City increased property tax rates for fiscal year 2011 from \$14.56 to \$14.60, an increase of 0.27%. This increase raised the City's property tax receipts approximately \$81,000 in fiscal year 2011. Based on increases in the total assessed valuation, property tax receipts are budgeted to increase an additional \$66,419 next year.

The cost of all governmental activities this year was \$5,844,655 compared to \$6,518,269 last year. As shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was only \$3,418,740 because some of the cost was paid by those directly benefiting from the programs (\$706,032) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$1,719,883). The City paid for the remaining "public benefit" portion of governmental activities with \$2,327,490 in general receipts, \$1,788,862 in transfers and debt proceeds and has \$2,026,637 in cash balances carried forward.

#### Changes in Cash Basis Net Assets of Business-Type Activities

	<b>Year Ended June 30,</b>	
	<b>2011</b>	<b>2010</b>
<b>Receipts</b>		
Program Receipts		
Charges for Service		
Water utility	\$ 531,225	\$ 513,919
Wastewater treatment	479,788	471,160
Landfill/recycling	416,958	420,412
General Receipts		
Operating Grants, Interest and Other		
Water utility	7,695	5,908
Wastewater treatment	5,130	80,217
Landfill/recycling	7,740	8,406
<b>Total Receipts</b>	<b>1,448,536</b>	<b>1,500,022</b>
<b>Disbursements and Transfers</b>		
Water utility	524,665	527,269
Wastewater treatment	379,555	356,712
Landfill/recycling	377,592	379,523
Transfers	162,294	182,831
Interfund loans	—	455,000
<b>Total Disbursements and Transfers</b>	<b>1,444,106</b>	<b>1,901,335</b>
<b>Increase (Decrease) in Cash Basis Net Assets</b>	<b>4,430</b>	<b>(401,313)</b>
Cash Basis Net Assets - Beginning of Year	1,091,035	1,492,348
<b>Cash Basis Net Assets - End of Year</b>	<b>\$ 1,095,465</b>	<b>\$ 1,091,035</b>

Total business-type activities receipts for the fiscal year were approximately \$1,450,000 compared to approximately \$1,500,000 last year. The decrease was due to funds received from the Federal Emergency Management Agency for flood damage to City property.

The cash balance increased approximately \$4,000 and the total disbursements for the fiscal year decreased 24% to approximately \$1,450,000 due to the receipt of reimbursements from the Federal Emergency Management Agency last year and the transfer of funds from of \$330,000 from the Electric Utility as a loan for new street department equipment and \$62,098 from the Electric Utility for salary reimbursement.

### **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 \$2,026,637, an increase of \$697,612 from last year's total of \$1,329,025. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$133,463 from the prior year to \$978,292 primarily due to capital projects that have been delayed for one year.
- The Road Use Tax Special Revenue Fund increased \$10,782 from the prior year to \$221,749 primarily due to lower than expected snow removal expenses experienced last year.
- The Local Option Sales Tax (LOST) Fund decreased \$31,568 to \$213,721 due to transfer of funds to funds designated for disbursement by the referendum that enacted the LOST.
- The Capital Projects Flood Mitigation Fund increased (\$578,923) to (\$44,854) due to reimbursement of funds by the Federal Emergency Management Agency for property acquisitions.
- 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 \$14,386, a decrease of \$941 from the previous year.

### **INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS**

- The water utility cash balance decreased by \$4,736 to \$233,462 due to less revenue than anticipated.
- The wastewater treatment cash balance decreased by \$12,940 to \$749,668 due to larger than anticipated electricity payments.
- The landfill/recycling cash balance increased by \$22,106 to \$112,335 primarily due to larger than anticipated revenue.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The main purpose of the amendment was to account for the refunding of bonds that were issued in 2003 and 2004 with a payoff amount of approximately \$1.375 million. The City also accounted for \$379,000 that was spent in the property acquisition program not accounted for in the original budget.

## DEBT ADMINISTRATION

At June 30, 2011, the City had \$4,238,000 in bonds and other long-term debt, compared to \$4,710,000 last year, as shown below:

### Outstanding Debt at Year End

	<u>Year Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
General obligation bonds and notes	\$ 3,550,000	\$ 3,875,000
Water revenue bonds	588,000	715,000
Rural electric cooperative note	<u>100,000</u>	<u>120,000</u>
<b>Total</b>	<b><u>\$ 4,238,000</u></b>	<b><u>\$ 4,710,000</u></b>
<b>Loans From Vinton Municipal Electric Utility (Component Unit)</b>	<b><u>\$ 337,161</u></b>	<b><u>\$ 45,975</u></b>
<b>Interfund Loans</b>	<b><u>\$ 455,000</u></b>	<b><u>\$ 455,000</u></b>

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 \$3,650,000 is below its constitutional debt limit of \$11,008,636.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The main economic factor that is anticipated to affect next year's budget is the finalization of the flood mitigation projects with the Federal Emergency Management Agency. While the flood mitigation fund negative balance will not be completely resolved, it should continue to be reduced. The City of Vinton is also anticipating a large economic development project on the west side of the City on West 13<sup>th</sup> Street with a large seed/fertilizer distribution center being constructed with an anticipated \$3.5 million assessed value. The anticipated volume of traffic to and from this center will necessitate substantial improvements to West 13<sup>th</sup> Street of approximately \$1.5 million. The City is applying to the state RISE program to share half of the cost of these improvements.

## **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**

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# Statement of Activities and Net Assets - Cash Basis

As of and for the Year Ended June 30, 2011

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
<b>Primary Government</b>								
<b>Governmental Activities</b>								
Public safety.....	\$ 800,008	\$ 10,835	\$ 107,643	\$ —	\$ (681,530)	\$ —	\$ (681,530)	\$ —
Public works.....	803,130	133,485	502,047	—	(167,598)	—	(167,598)	—
Health and social services.....	31,986	—	1,982	—	(30,004)	—	(30,004)	—
Culture and recreation.....	893,606	252,096	119,633	—	(521,877)	—	(521,877)	—
Community and economic development.....	25,087	35	—	—	(25,052)	—	(25,052)	—
General government.....	428,031	309,581	23,795	—	(94,655)	—	(94,655)	—
Debt service.....	1,840,112	—	—	—	(1,840,112)	—	(1,840,112)	—
Capital projects.....	1,022,695	—	—	964,783	(57,912)	—	(57,912)	—
<b>Total Governmental Activities.....</b>	<b>5,844,655</b>	<b>706,032</b>	<b>755,100</b>	<b>964,783</b>	<b>(3,418,740)</b>	<b>—</b>	<b>(3,418,740)</b>	<b>—</b>
<b>Business-Type Activities</b>								
Water utility.....	524,665	523,972	—	—	—	(693)	(693)	—
Wastewater treatment.....	379,555	479,788	—	—	—	100,233	100,233	—
Landfill/recycling.....	377,592	416,958	7,000	—	—	46,366	46,366	—
<b>Total Business-Type Activities.....</b>	<b>1,281,812</b>	<b>1,420,718</b>	<b>7,000</b>	<b>—</b>	<b>—</b>	<b>145,906</b>	<b>145,906</b>	<b>—</b>
<b>Total Primary Government.....</b>	<b>\$ 7,126,467</b>	<b>\$ 2,126,750</b>	<b>\$ 762,100</b>	<b>\$ 964,783</b>	<b>(3,418,740)</b>	<b>145,906</b>	<b>(3,272,834)</b>	<b>—</b>
<b>Component Unit</b>								
Vinton Municipal Electric Utility.....	\$ 5,463,125	\$ 4,655,159	\$ —	\$ 1,067,670	—	—	—	259,704
<b>General Receipts</b>								
Property Tax Levied for								
General purposes.....					969,529	—	969,529	—
Employee benefits.....					469,474	—	469,474	—
Tax increment financing.....					193,539	—	193,539	—
Debt service.....					302,195	—	302,195	—
Local option sales tax.....					305,162	—	305,162	—
Licenses, permits and franchise fees.....					62,757	—	62,757	—
Unrestricted interest on investments.....					13,932	14,501	28,433	52,635
Debt repayment.....					—	—	—	38,814
Miscellaneous.....					5,900	6,317	12,217	—
Bond and loan proceeds (issued).....					1,626,568	—	1,626,568	(330,000)
Sale of assets.....					5,002	—	5,002	—
<b>Transfers in (Out).....</b>					162,294	(162,294)	—	—
<b>Total General Receipts and Transfers.....</b>					<b>4,116,352</b>	<b>(141,476)</b>	<b>3,974,876</b>	<b>(238,551)</b>
<b>Change in Cash Basis Net Assets.....</b>					<b>697,612</b>	<b>4,430</b>	<b>702,042</b>	<b>21,153</b>
Cash Basis Net Assets - Beginning of Year.....					1,329,025	1,091,035	2,420,060	2,638,206
<b>Cash Basis Net Assets - End of Year.....</b>					<b>\$ 2,026,637</b>	<b>\$ 1,095,465</b>	<b>\$ 3,122,102</b>	<b>\$ 2,659,359</b>
<b>Cash Basis Net Assets</b>								
Restricted								
Nonexpendable								
Tobin Trust.....					\$ 100,000	\$ —	\$ 100,000	\$ —
Expendable								
Streets.....					221,749	—	221,749	—
Local option sales tax.....					213,721	—	213,721	—
Debt service.....					14,386	215,000	229,386	—
Other purposes.....					543,343	—	543,343	—
Unrestricted.....					933,438	880,465	1,813,903	2,659,359
<b>Total Cash Basis Net Assets.....</b>					<b>\$ 2,026,637</b>	<b>\$ 1,095,465</b>	<b>\$ 3,122,102</b>	<b>\$ 2,659,359</b>

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, 2011

	General Fund	Special Revenue - Road Use Tax	Special Revenue - Local Option Sales Tax	Capital Projects - Flood Mitigation	Debt Service	Other Nonmajor Governmental Funds	Total
<b>Receipts</b>							
Property taxes .....	\$ 969,529	\$ —	\$ —	\$ —	\$ 302,195	\$ 469,474	\$ 1,741,198
Tax increment financing .....	—	—	—	—	—	193,539	193,539
Other city taxes.....	—	—	305,162	—	—	—	305,162
Licenses and permits.....	62,757	—	—	—	—	—	62,757
Use of money and property .....	16,701	—	782	—	6,831	2,165	26,479
Intergovernmental.....	125,666	495,555	—	958,439	—	—	1,579,660
Charges for service .....	670,265	—	—	—	—	10,845	681,110
Special assessments.....	—	—	—	—	18,276	—	18,276
Miscellaneous.....	131,896	—	—	357	—	7,969	140,222
<b>Total Receipts .....</b>	<b>1,976,814</b>	<b>495,555</b>	<b>305,944</b>	<b>958,796</b>	<b>327,302</b>	<b>683,992</b>	<b>4,748,403</b>
<b>Disbursements</b>							
Operating							
Public Safety.....	792,450	—	—	—	—	7,558	800,008
Public Works.....	360,145	442,985	—	—	—	—	803,130
Health and Social Services.....	16,986	—	15,000	—	—	—	31,986
Culture and Recreation.....	880,894	—	12,712	—	—	—	893,606
Community and Economic Development .....	1,470	—	16,300	—	—	7,317	25,087
General Government.....	428,031	—	—	—	—	—	428,031
Debt Service .....	—	—	—	—	375,112	—	375,112
Capital Projects .....	—	—	—	379,873	—	642,822	1,022,695
<b>Total Disbursements .....</b>	<b>2,479,976</b>	<b>442,985</b>	<b>44,012</b>	<b>379,873</b>	<b>375,112</b>	<b>657,697</b>	<b>4,379,655</b>
<b>Receipts Over (Under) Disbursements.....</b>	<b>(503,162)</b>	<b>52,570</b>	<b>261,932</b>	<b>578,923</b>	<b>(47,810)</b>	<b>26,295</b>	<b>368,748</b>
<b>Other Financing Sources (Uses)</b>							
Refunding bond issued.....	—	—	—	—	1,296,568	330,000	1,626,568
Refunding bond principal payments .....	—	—	—	—	(1,465,000)	—	(1,465,000)
Sale of capital assets.....	—	—	—	—	—	5,002	5,002
Transfers in.....	636,625	—	—	—	215,301	255,736	1,107,662
Transfers out .....	—	(41,788)	(293,500)	—	—	(610,080)	(945,368)
<b>Total Other Financing Sources (Uses) .....</b>	<b>636,625</b>	<b>(41,788)</b>	<b>(293,500)</b>	<b>—</b>	<b>46,869</b>	<b>(19,342)</b>	<b>328,864</b>
<b>Net Change in Cash Balances .....</b>	<b>133,463</b>	<b>10,782</b>	<b>(31,568)</b>	<b>578,923</b>	<b>(941)</b>	<b>6,953</b>	<b>697,612</b>
Cash Balances - Beginning of Year, as Restated (Note 13) ...	844,829	210,967	245,289	(623,777)	15,327	636,390	1,329,025
<b>Cash Balances - End of Year .....</b>	<b>\$ 978,292</b>	<b>\$ 221,749</b>	<b>\$ 213,721</b>	<b>\$ (44,854)</b>	<b>\$ 14,386</b>	<b>\$ 643,343</b>	<b>\$ 2,026,637</b>
<b>Cash Basis Fund Balances</b>							
Nonspendable - trust.....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 100,000	\$ 100,000
Restricted for							
Streets .....	—	221,749	—	—	—	—	221,749
Local option sales tax.....	—	—	213,721	—	—	—	213,721
Debt service.....	—	—	—	—	14,386	—	14,386
Other purposes.....	—	—	—	—	—	543,343	543,343
Unassigned.....	978,292	—	—	(44,854)	—	—	933,438
<b>Total Cash Basis Fund Balances .....</b>	<b>\$ 978,292</b>	<b>\$ 221,749</b>	<b>\$ 213,721</b>	<b>\$ (44,854)</b>	<b>\$ 14,386</b>	<b>\$ 643,343</b>	<b>\$ 2,026,637</b>

See accompanying notes to the financial statements.

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

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As of and for the Year Ended June 30, 2011

	Water Utility	Wastewater Treatment	Landfill/ Recycling	Total
<b>Operating Receipts</b>				
Charges for service .....	\$ 523,972	\$ 479,788	\$ 416,958	\$ 1,420,718
Miscellaneous.....	<u>5,063</u>	<u>790</u>	<u>464</u>	<u>6,317</u>
<b>Total Operating Receipts.....</b>	<b><u>529,035</u></b>	<b><u>480,578</u></b>	<b><u>417,422</u></b>	<b><u>1,427,035</u></b>
<b>Operating Disbursements</b>				
Business-type activities .....	<u>359,202</u>	<u>379,555</u>	<u>369,997</u>	<u>1,108,754</u>
<b>Operating Receipts Over</b>				
<b>Operating Disbursements .....</b>	<b><u>169,833</u></b>	<b><u>101,023</u></b>	<b><u>47,425</u></b>	<b><u>318,281</u></b>
<b>Nonoperating Receipts (Disbursements)</b>				
Intergovernmental.....	—	—	7,000	7,000
Interest on deposits .....	2,632	4,340	276	7,248
Rents .....	7,253	—	—	7,253
Debt service.....	(156,585)	—	(7,595)	(164,180)
Capital outlay.....	<u>(8,878)</u>	<u>—</u>	<u>—</u>	<u>(8,878)</u>
<b>Net Nonoperating Receipts (Disbursements).....</b>	<b><u>(155,578)</u></b>	<b><u>4,340</u></b>	<b><u>(319)</u></b>	<b><u>(151,557)</u></b>
<b>Receipts Over Disbursements .....</b>	<b><u>14,255</u></b>	<b><u>105,363</u></b>	<b><u>47,106</u></b>	<b><u>166,724</u></b>
<b>Other Financing Sources (Uses)</b>				
Transfers in.....	47,260	6,000	—	53,260
Transfers out .....	<u>(66,251)</u>	<u>(124,303)</u>	<u>(25,000)</u>	<u>(215,554)</u>
<b>Total Other Financing Uses .....</b>	<b><u>(18,991)</u></b>	<b><u>(118,303)</u></b>	<b><u>(25,000)</u></b>	<b><u>(162,294)</u></b>
<b>Net Change in Cash Balances.....</b>	<b>(4,736)</b>	<b>(12,940)</b>	<b>22,106</b>	<b>4,430</b>
Cash Balances - Beginning of Year.....	<u>238,198</u>	<u>762,608</u>	<u>90,229</u>	<u>1,091,035</u>
<b>Cash Balances - End of Year.....</b>	<b><u>\$ 233,462</u></b>	<b><u>\$ 749,668</u></b>	<b><u>\$ 112,335</u></b>	<b><u>\$ 1,095,465</u></b>
<b>Cash Basis Fund Balances</b>				
Restricted for debt service.....	\$ 215,000	\$ —	\$ —	\$ 215,000
Unrestricted .....	<u>18,462</u>	<u>749,668</u>	<u>112,335</u>	<u>880,465</u>
<b>Total Cash Basis Fund Balances .....</b>	<b><u>\$ 233,462</u></b>	<b><u>\$ 749,668</u></b>	<b><u>\$ 112,335</u></b>	<b><u>\$ 1,095,465</u></b>

See accompanying notes to the financial statements.

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

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As of and for the Year Ended June 30, 2011

	<b>Agency Funds</b>
<b>Receipts</b>	
Deposits.....	<b>\$ 32,103</b>
<b>Disbursements</b>	
Refunds of deposits.....	<b><u>40,168</u></b>
<b>Net Change in Cash Balances</b> .....	<b>(8,065)</b>
Cash Balances - Beginning of Year.....	<b><u>84,189</u></b>
<b>Cash Balances - End of Year</b> .....	<b><u>\$ 76,124</u></b>

## Notes to the Financial Statements

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### **(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

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## (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.

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.

#### **Special Revenue**

The *Road Use Tax Fund* is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

## Notes to the Financial Statements

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### (1) Summary of Significant Accounting Policies

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 property tax and other revenue to be used 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.

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.

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

### Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

**Nonspendable** - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

**Restricted** - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

**Assigned** - Amounts the Council intends to use for specific purposes.

**Unassigned** - All amounts not included in other spendable classifications.

### Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2011, disbursements exceeded the amounts budgeted prior to the budget being amended in the Capital Projects and Debt Service functions.

### Subsequent Events

Management has evaluated subsequent events through January 26, 2012, the date which the financial statements were available to be issued.

## (2) Deposits and Investments

The City's deposits in banks at June 30, 2011 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 investments at June 30, 2011 were as follows:

United States Series HH Bonds .....	<u>\$ 2,000</u>
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### 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 Cooperative Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2012.....	\$ 340,000	\$ 128,285	\$ 132,000	\$ 24,013	\$ 19,207	\$ 1,860
2013.....	370,000	112,693	142,000	18,688	19,595	1,472
2014.....	375,000	101,893	147,000	12,888	19,990	1,077
2015.....	395,000	90,886	152,000	6,810	20,394	673
2016.....	415,000	79,161	2,000	450	20,814	252
2017-2021 .....	1,265,000	224,289	10,000	1,350	—	—
2022-2026 .....	390,000	25,710	3,000	90	—	—
	<b><u>\$ 3,550,000</u></b>	<b><u>\$ 762,917</u></b>	<b><u>\$ 588,000</u></b>	<b><u>\$ 64,289</u></b>	<b><u>\$ 100,000</u></b>	<b><u>\$ 5,334</u></b>

Year Ending June 30,	Vinton Electric Utility					
	From Landfill Fund		From General Fund		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012.....	\$ 6,049	\$ 1,547	\$ 33,000	\$ 7,219	\$ 530,256	\$ 162,924
2013.....	6,293	1,302	33,000	6,394	570,888	140,549
2014.....	6,547	1,048	33,000	5,569	581,537	122,475
2015.....	6,812	783	33,000	4,744	607,206	103,896
2016.....	7,087	508	33,000	3,919	477,901	84,290
2017-2021 .....	7,373	223	132,000	7,426	1,414,373	233,288
2022-2026 .....	—	—	—	—	393,000	25,800
	<b><u>\$ 40,161</u></b>	<b><u>\$ 5,411</u></b>	<b><u>\$ 297,000</u></b>	<b><u>\$ 35,271</u></b>	<b><u>\$ 4,575,161</u></b>	<b><u>\$ 873,222</u></b>

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 \$652,289. For the current year, principal and interest paid and net receipts were \$156,073 and \$179,718, 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

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### (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 number 2 for the year ended June 30, 2011.

### 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, 2011 which included interest of \$1,781. The notes payable balance was \$40,161 at June 30, 2011.

## Notes to the Financial Statements

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### **(3) Bonds and Notes Payable**

During the year ended June 30, 2011, the Utility loaned \$330,000 to help finance the purchase of Street Department equipment. The City made repayment of \$42,460 during the year ended June 30, 2011 which included interest of \$9,460. The notes payable balance was \$297,000 at June 30, 2011.

### **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. The City Council approved a 1% interest rate on these interfund loans on September 30, 2010. 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, 2011. The interfund loan balance was \$455,000 at June 30, 2011.

### **(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.

Most plan members were required to contribute 4.5% of their annual salary and the City was required to contribute 6.95% 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, 2011, 2010 and 2009 were \$145,391, \$133,410 and \$114,855, respectively, which were equal to the required contributions for each year.

### **(5) Other Postemployment Benefits (OPEB)**

#### **Plan Description**

The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 31 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

#### **Funding Policy**

The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are either \$450 or \$596 for single coverage and either \$1,142 or \$1,490 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$357,769 and plan members eligible for benefits contributed \$56,445 to the plan.

## Notes to the Financial Statements

### (6) 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. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount June 30, 2011
<b>Primary Government</b>	
Vacation.....	\$ 33,588
Sick leave .....	299,929
	<u>\$ 333,517</u>

The liability has been computed based on rates of pay as of June 30, 2011.

### (7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer To	Transfer From	Amount
General	Major Governmental	
	Local Sales Tax	\$ 37,000
	Nonmajor Governmental	
	FICA/IPERS	160,352
	Employee Benefits	300,000
	Permanent	719
	Enterprise	
	Water Utility	66,251
	Wastewater Treatment	47,303
		Landfill/Recycling
		<u>636,625</u>
Special Revenue Housing Fund	Nonmajor Governmental	
	SE TIF #1	27,229
	West TIF #1	5,000
	SW TIF	6,518
	West TIF #2	<u>6,000</u>
		<u>44,747</u>

## Notes to the Financial Statements

### (7) Interfund Transfers

Transfer To	Transfer From	Amount
Debt Service	Major Governmental	
	Road Use Tax	\$ 14,674
	Nonmajor Governmental	
	Local Sales Tax	85,500
	SE TIF #1	38,742
	West TIF #1	7,781
	SW TIF	13,494
	Downtown TIF	13,110
	Enterprise	
	Wastewater Treatment	<u>42,000</u>
		<u>215,301</u>
Capital Projects	Major Governmental	
Miscellaneous	Local Sales Tax	171,000
	Nonmajor Governmental	
	West TIF #2	<u>6,000</u>
		<u>177,000</u>
West TIF #1	Major Governmental	
	Road Use Tax	27,114
	Nonmajor Governmental	
	West TIF #1	<u>2,846</u>
		<u>29,960</u>
SW TIF	SW TIF	<u>4,029</u>
Enterprise	Enterprise	
Water Utility	Wastewater Treatment	35,000
	Nonmajor Governmental	
	SE TIF #1	<u>12,260</u>
		<u>47,260</u>
Wastewater Treatment	Nonmajor Governmental	
	West TIF #2	<u>6,000</u>
<b>Total</b>		<b><u>\$ 1,160,922</u></b>

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

### (8) 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.

## Notes to the Financial Statements

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### (9) Related Party Transactions

The City had business transactions between the City and City officials or businesses owned by City officials totaling \$11,161 during the year ended June 30, 2011.

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 6.61% at June 30, 2011. 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 .....	\$ 173,855
Amounts paid by the City for services .....	172,856
Payable from the City at year end for electric services .....	13,275
Note balance beginning of year .....	45,975
Current year loan .....	330,000
Amounts paid by the City for loan repayments including interest of \$11,241 .....	50,055
Note balances at year end .....	337,161
Payments received by the City for services received .....	245,564

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.

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

Electricity purchased .....	\$ 2,574,628
Cash payments to RPGI .....	2,574,482
Payable to RPGI at June 30, 2011 .....	241,549
Investment in RPGI .....	—
Share of RPGI net cash .....	171,925

## Notes to the Financial Statements

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### (10) Risk Management

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

### (11) Commitments

The City is involved in construction of various community projects. At June 30, 2011, the City was committed to approximately \$403,000 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, 2011.

### (12) Deficit Balance

The Capital Projects - Flood Mitigation Fund had a deficit balance of \$44,854 at June 30, 2011. 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.

### (13) Accounting Change/Restatement

Governmental Accounting Standards Board Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications was as follows:

		<b>Special Revenue</b>	
	<b>General</b>	<b>Emergency Fund</b>	<b>Housing Fund</b>
Balances - June 30, 2010, as previously reported .....	\$ 837,516	\$ 45,459	\$ —
Change in fund type classification per implementation of GASB Statement Number 54 .....	<u>7,313</u>	<u>(45,459)</u>	<u>38,146</u>
<b>Balances - July 1, 2010, as Restated .....</b>	<b><u>\$ 844,829</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 38,146</u></b>

**Required Supplementary Information**



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

Year Ended June 30, 2011

	Governmental Funds - Actual	Enterprise Funds - Actual	Discretely Presented Component Unit - Actual	Net	Budgeted Amounts		Over (Under) Budget
					Original	Final	
<b>Receipts</b>							
Property taxes .....	\$ 1,741,198	\$ —	\$ —	\$ 1,741,198	\$ 1,778,713	\$ 1,778,713	\$ (37,515)
Tax increment financing .....	193,539	—	—	193,539	168,231	168,231	25,308
Other city taxes.....	305,162	—	—	305,162	352,364	352,364	(47,202)
Licenses and permits.....	62,757	—	—	62,757	60,000	60,000	2,757
Use of money and property .....	26,479	14,501	52,635	93,615	134,735	134,735	(41,120)
Intergovernmental.....	1,579,660	7,000	1,067,670	2,654,330	881,253	931,253	1,723,077
Charges for service .....	681,110	1,420,718	4,655,159	6,756,987	6,170,844	6,170,844	586,143
Special assessments.....	18,276	—	—	18,276	20,200	20,200	(1,924)
Miscellaneous.....	140,222	6,317	—	146,539	26,100	26,100	120,439
<b>Total Receipts.....</b>	<b>4,748,403</b>	<b>1,448,536</b>	<b>5,775,464</b>	<b>11,972,403</b>	<b>9,592,440</b>	<b>9,642,440</b>	<b>2,329,963</b>
<b>Disbursements</b>							
Public Safety.....	800,008	—	—	800,008	850,669	850,669	(50,661)
Public Works.....	803,130	—	—	803,130	865,269	890,269	(87,139)
Health and Social Services.....	31,986	—	—	31,986	30,238	33,238	(1,252)
Culture and Recreation.....	893,606	—	—	893,606	898,693	898,693	(5,087)
Community and Economic Development .....	25,087	—	—	25,087	59,512	59,512	(34,425)
General Government.....	428,031	—	—	428,031	443,172	443,172	(15,141)
Debt Service .....	1,840,112	—	—	1,840,112	538,512	1,938,512	(98,400)
Capital Projects .....	1,022,695	—	—	1,022,695	586,000	1,046,000	(23,305)
Business-Type Activities.....	—	1,281,812	5,463,125	6,744,937	7,425,801	7,785,801	(1,040,864)
<b>Total Disbursements.....</b>	<b>5,844,655</b>	<b>1,281,812</b>	<b>5,463,125</b>	<b>12,589,592</b>	<b>11,697,866</b>	<b>13,945,866</b>	<b>(1,356,274)</b>
<b>Receipts Over (Under) Disbursements.....</b>	<b>(1,096,252)</b>	<b>166,724</b>	<b>312,339</b>	<b>(617,189)</b>	<b>(2,105,426)</b>	<b>(4,303,426)</b>	<b>3,686,237</b>
<b>Other Financing Sources, Net .....</b>	<b>1,793,864</b>	<b>(162,294)</b>	<b>(291,186)</b>	<b>1,340,384</b>	<b>320,000</b>	<b>1,620,000</b>	<b>(279,616)</b>
<b>Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</b>	<b>697,612</b>	<b>4,430</b>	<b>21,153</b>	<b>723,195</b>	<b>(1,785,426)</b>	<b>(2,683,426)</b>	<b>3,406,621</b>
Balances - Beginning of Year .....	1,329,025	1,091,035	2,638,206	5,058,266	5,315,635	5,315,635	(257,369)
<b>Balances - End of Year.....</b>	<b>\$ 2,026,637</b>	<b>\$ 1,095,465</b>	<b>\$ 2,659,359</b>	<b>\$ 5,781,461</b>	<b>\$ 3,530,209</b>	<b>\$ 2,632,209</b>	<b>\$ 3,149,252</b>

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 nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business-type activities. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service funds, capital projects funds and enterprise funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,248,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted prior to being amended in the Capital Projects and Debt Service functions.

**Other Supplementary Information**



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

Year Ended June 30, 2011

	Special Revenue										
	Police Training Fund	Housing	FICA/IPERS	Employee Benefits	NW TIF	SE TIF #1	West TIF #1	SW TIF	Downtown TIF	West TIF #2	Permanent Tobin Trust
<b>Receipts</b>											
Property taxes .....	\$ —	\$ —	\$ 152,047	\$ 317,427	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Tax increment financing .....	—	—	—	—	152	82,600	53,708	21,415	—	35,664	—
Use of money and property .....	—	76	—	—	299	189	195	—	119	163	719
Charges for services.....	10,835	10	—	—	—	—	—	—	—	—	—
Miscellaneous.....	—	1,982	—	—	—	—	—	—	—	—	—
<b>Total Receipts.....</b>	<b>10,835</b>	<b>2,068</b>	<b>152,047</b>	<b>317,427</b>	<b>451</b>	<b>82,789</b>	<b>53,903</b>	<b>21,415</b>	<b>119</b>	<b>35,827</b>	<b>719</b>
<b>Disbursements</b>											
Operating											
Public Safety .....	7,558	—	—	—	—	—	—	—	—	—	—
Community and Economic Development.....	—	7,317	—	—	—	—	—	—	—	—	—
Capital projects.....	—	—	—	—	—	—	—	—	—	—	—
<b>Total Disbursements.....</b>	<b>7,558</b>	<b>7,317</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Receipts Over (Under) Disbursements.....</b>	<b>3,277</b>	<b>(5,249)</b>	<b>152,047</b>	<b>317,427</b>	<b>451</b>	<b>82,789</b>	<b>53,903</b>	<b>21,415</b>	<b>119</b>	<b>35,827</b>	<b>719</b>
<b>Other Financing Sources (Uses)</b>											
Debt proceeds .....	—	—	—	—	—	—	—	—	—	—	—
Sale of capital assets.....	—	5,002	—	—	—	—	—	—	—	—	—
Transfers in.....	—	44,747	—	—	—	—	—	—	—	—	—
Transfers out .....	—	—	(160,352)	(300,000)	—	(78,231)	(15,627)	(24,041)	(13,110)	(18,000)	(719)
<b>Other Financing Sources (Uses) .....</b>	<b>—</b>	<b>49,749</b>	<b>(160,352)</b>	<b>(300,000)</b>	<b>—</b>	<b>(78,231)</b>	<b>(15,627)</b>	<b>(24,041)</b>	<b>(13,110)</b>	<b>(18,000)</b>	<b>(719)</b>
<b>Net Change in Cash Balances.....</b>	<b>3,277</b>	<b>44,500</b>	<b>(8,305)</b>	<b>17,427</b>	<b>451</b>	<b>4,558</b>	<b>38,276</b>	<b>(2,626)</b>	<b>(12,991)</b>	<b>17,827</b>	<b>—</b>
Cash Balances - Beginning of Year, as Restated (Note 13).....	—	38,146	14,600	31,585	78,135	38,281	45,376	3,985	37,002	37,337	100,000
<b>Cash Balances - End of Year .....</b>	<b>\$ 3,277</b>	<b>\$ 82,646</b>	<b>\$ 6,295</b>	<b>\$ 49,012</b>	<b>\$ 78,586</b>	<b>\$ 42,839</b>	<b>\$ 83,652</b>	<b>\$ 1,359</b>	<b>\$ 24,011</b>	<b>\$ 55,164</b>	<b>\$ 100,000</b>
<b>Cash Basis Fund Balances</b>											
Nonspendable .....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 100,000
Restricted .....	3,277	82,646	6,295	49,012	78,586	42,839	83,652	1,359	24,011	55,164	—
<b>Total Cash Basis Fund Balances .....</b>	<b>\$ 3,277</b>	<b>\$ 82,646</b>	<b>\$ 6,295</b>	<b>\$ 49,012</b>	<b>\$ 78,586</b>	<b>\$ 42,839</b>	<b>\$ 83,652</b>	<b>\$ 1,359</b>	<b>\$ 24,011</b>	<b>\$ 55,164</b>	<b>\$ 100,000</b>

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

Year Ended June 30, 2011

	Capital Projects							Total	
	Miscellaneous	Community Disaster Grant	SAFE TEA LU	West TIF #1 Projects	NW TIF	SWTIF	Sidewalk Fund		Downtown Improvements
<b>Receipts</b>									
Property taxes .....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 469,474
Tax increment financing .....	—	—	—	—	—	—	—	—	193,539
Use of money and property .....	182	—	153	4	20	—	46	—	2,165
Charges for services.....	—	—	—	—	—	—	—	—	10,845
Miscellaneous.....	5,987	—	—	—	—	—	—	—	7,969
<b>Total Receipts.....</b>	<b>6,169</b>	<b>—</b>	<b>153</b>	<b>4</b>	<b>20</b>	<b>—</b>	<b>46</b>	<b>—</b>	<b>683,992</b>
<b>Disbursements</b>									
Operating									
Public Safety .....	—	—	—	—	—	—	—	—	7,558
Community and Economic Development.....	—	—	—	—	—	—	—	—	7,317
Capital projects.....	522,733	39,402	—	67,036	—	4,029	9,622	—	642,822
<b>Total Disbursements.....</b>	<b>522,733</b>	<b>39,402</b>	<b>—</b>	<b>67,036</b>	<b>—</b>	<b>4,029</b>	<b>9,622</b>	<b>—</b>	<b>657,697</b>
<b>Receipts Over (Under) Disbursements.....</b>	<b>(516,564)</b>	<b>(39,402)</b>	<b>153</b>	<b>(67,032)</b>	<b>20</b>	<b>(4,029)</b>	<b>(9,576)</b>	<b>—</b>	<b>26,295</b>
<b>Other Financing Sources (Uses)</b>									
Debt proceeds .....	330,000	—	—	—	—	—	—	—	330,000
Sale of capital assets.....	—	—	—	—	—	—	—	—	5,002
Transfers in.....	177,000	—	—	29,960	—	4,029	—	—	255,736
Transfers out .....	—	—	—	—	—	—	—	—	(610,080)
<b>Other Financing Sources (Uses) .....</b>	<b>507,000</b>	<b>—</b>	<b>—</b>	<b>29,960</b>	<b>—</b>	<b>4,029</b>	<b>—</b>	<b>—</b>	<b>(19,342)</b>
<b>Net Change in Cash Balances.....</b>	<b>(9,564)</b>	<b>(39,402)</b>	<b>153</b>	<b>(37,072)</b>	<b>20</b>	<b>—</b>	<b>(9,576)</b>	<b>—</b>	<b>6,953</b>
Cash Balances - Beginning of Year, as Restated (Note 13) .....	63,309	40,028	51,954	37,072	5,211	—	14,318	51	636,390
<b>Cash Balances - End of Year .....</b>	<b>\$ 53,745</b>	<b>\$ 626</b>	<b>\$ 52,107</b>	<b>\$ —</b>	<b>\$ 5,231</b>	<b>\$ —</b>	<b>\$ 4,742</b>	<b>\$ 51</b>	<b>\$ 643,343</b>
<b>Cash Basis Fund Balances</b>									
Nonspendable .....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 100,000
Restricted .....	53,745	626	52,107	—	5,231	—	4,742	51	543,343
<b>Total Cash Basis Fund Balances .....</b>	<b>\$ 53,745</b>	<b>\$ 626</b>	<b>\$ 52,107</b>	<b>\$ —</b>	<b>\$ 5,231</b>	<b>\$ —</b>	<b>\$ 4,742</b>	<b>\$ 51</b>	<b>\$ 643,343</b>

# Schedule of Indebtedness

Year Ended June 30, 2011

	Amount Originally Issued	Date of Issue	Interest Rate	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
<b>Bonded Indebtedness</b>								
<b>General Obligation Bonds</b>								
Corporate Purpose and Refunding Series 2011 .....	\$ 1,280,000	3-15-11	2.00 - 2.75%	\$ —	\$ 1,280,000	\$ —	\$ 1,280,000	\$ —
Corporate Purpose and Refunding Series 2006 .....	2,875,000	8-1-06	4.13 - 4.30	<u>2,410,000</u>	<u>—</u>	<u>140,000</u>	<u>2,270,000</u>	<u>101,299</u>
<b>Total General Obligation Bonds .....</b>				<b><u>\$ 2,410,000</u></b>	<b><u>\$ 1,280,000</u></b>	<b><u>\$ 140,000</u></b>	<b><u>\$ 3,550,000</u></b>	<b><u>\$ 101,299</u></b>
<b>General Obligation Notes</b>								
Corporate Purpose Series 2003 .....	1,390,000	11-1-03	3.25 - 4.15	\$ 895,000	\$ —	\$ 895,000	\$ —	\$ 33,595
Corporate Purpose Series 2004 .....	940,000	12-1-04	3.25 - 3.90	<u>570,000</u>	<u>—</u>	<u>570,000</u>	<u>—</u>	<u>20,653</u>
<b>Total General Obligation Notes .....</b>				<b><u>\$ 1,465,000</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 1,465,000</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 54,248</u></b>
<b>Water Revenue Bonds</b>								
2002 Issue .....	40,000	10-8-02	3.00	\$ 25,000	\$ —	\$ 2,000	\$ 23,000	\$ 750
2006 Issue .....	1,150,000	5-1-06	4.05 - 4.20	<u>690,000</u>	<u>—</u>	<u>125,000</u>	<u>565,000</u>	<u>28,323</u>
<b>Total Water Revenue Bonds .....</b>				<b><u>\$ 715,000</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 127,000</u></b>	<b><u>\$ 588,000</u></b>	<b><u>\$ 29,073</u></b>
<b>Nonbonded Indebtedness</b>								
<b>Rural Electric Cooperative .....</b>	200,000	6-29-06	2.00	<b><u>\$ 120,000</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 20,000</u></b>	<b><u>\$ 100,000</u></b>	<b><u>\$ —</u></b>
<b>Vinton Municipal Electric Utility (Component Unit)</b>								
Street Department equipment .....	330,000	7-8-10	2.50	\$ —	\$ 330,000	\$ 33,000	\$ 297,000	\$ 9,460
Aerial truck .....	62,098	6-1-07	4.00	<u>45,975</u>	<u>—</u>	<u>5,814</u>	<u>40,161</u>	<u>1,781</u>
<b>Total Vinton Municipal Electric Utility .....</b>				<b><u>\$ 45,975</u></b>	<b><u>\$ 330,000</u></b>	<b><u>\$ 38,814</u></b>	<b><u>\$ 337,161</u></b>	<b><u>\$ 11,241</u></b>
<b>Interfund Loans</b>								
West TIF #1 .....	335,000	10-2-09	1.00	\$ 335,000	\$ —	\$ —	\$ 335,000	\$ —
West TIF #1 .....	120,000	10-22-09	1.00	<u>120,000</u>	<u>—</u>	<u>—</u>	<u>120,000</u>	<u>—</u>
<b>Total Interfund Loans .....</b>				<b><u>\$ 455,000</u></b>	<b><u>\$ —</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 455,000</u></b>	<b><u>\$ —</u></b>

# Schedule of Bond and Note Maturities

At June 30, 2011

Year Ending June 30,	General Obligation Bonds					
	General Obligation Corporate Purpose and Refunding Series 2006 Issued 8-1-06		General Obligation Corporate Purpose and Refunding Series 2011 Issued 3-15-11		Vinton Municipal Electric Utility Street Department Equipment Issued 7-8-10	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2012.....	4.13%	\$ 145,000	2.00%	\$ 195,000	2.50%	\$ 33,000
2013.....	4.13	160,000	2.00	210,000	2.50	33,000
2014.....	4.13	165,000	2.00	210,000	2.50	33,000
2015.....	4.13	180,000	2.00	215,000	2.50	33,000
2016.....	4.13	195,000	2.00	220,000	2.50	33,000
2017.....	4.25	200,000	2.50	110,000	2.50	33,000
2018.....	4.25	215,000	2.75	120,000	2.50	33,000
2019.....	4.25	220,000		—	2.50	33,000
2020.....	4.25	195,000		—	2.50	33,000
2021.....	4.25	205,000		—		—
2022.....	4.25	180,000		—		—
2023.....	4.30	210,000		—		—
<b>Total.....</b>		<b>\$ 2,270,000</b>		<b>\$ 1,280,000</b>		<b>\$ 297,000</b>

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 - 2006 Issued 5-1-06		Interest Rates	Amount	Interest Rates	Amount	
	Interest Rates	Amount	Interest Rates	Amount					
2012.....	3.00%	\$ 2,000	4.05%	\$ 130,000	2.00%	\$ 19,207	4.00%	\$ 6,049	\$ 530,256
2013.....	3.00	2,000	4.10	140,000	2.00	19,595	4.00	6,293	570,888
2014.....	3.00	2,000	4.15	145,000	2.00	19,990	4.00	6,547	581,537
2015.....	3.00	2,000	4.20	150,000	2.00	20,394	4.00	6,812	607,206
2016.....	3.00	2,000		—	2.00	20,814	4.00	7,087	477,901
2017.....	3.00	2,000		—		—	4.00	7,373	352,373
2018.....	3.00	2,000		—		—		—	370,000
2019.....	3.00	2,000		—		—		—	255,000
2020.....	3.00	2,000		—		—		—	230,000
2021.....	3.00	2,000		—		—		—	207,000
2022.....	3.00	3,000		—		—		—	183,000
2023.....		—		—		—		—	210,000
<b>Total.....</b>		<b>\$ 23,000</b>		<b>\$ 565,000</b>		<b>\$ 100,000</b>		<b>\$ 40,161</b>	<b>\$ 4,575,161</b>

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

Years Ended June 30, 2007 Through 2011

	2011	2010	2009	2008	2007
<b>Receipts</b>					
Property taxes .....	\$ 1,741,198	\$ 1,660,159	\$ 1,537,888	\$ 1,526,739	\$ 1,650,684
Tax increment financing .....	193,539	235,937	280,711	269,535	178,229
Other city tax .....	305,162	325,196	234,030	—	9,105
Licenses and permits .....	62,757	55,805	66,077	63,122	62,594
Use of money and property .....	26,479	18,614	28,533	70,180	176,261
Intergovernmental .....	1,579,660	1,915,116	1,505,360	991,497	512,879
Charges for service .....	681,110	592,712	620,404	657,860	565,010
Special assessments .....	18,276	24,983	22,596	34,916	27,850
Miscellaneous .....	<u>140,222</u>	<u>145,487</u>	<u>225,865</u>	<u>92,792</u>	<u>285,057</u>
<b>Total Receipts.....</b>	<b><u>\$ 4,748,403</u></b>	<b><u>\$ 4,974,009</u></b>	<b><u>\$ 4,521,464</u></b>	<b><u>\$ 3,706,641</u></b>	<b><u>\$ 3,467,669</u></b>
<b>Disbursements</b>					
Operating					
Public safety .....	\$ 800,008	\$ 906,850	\$ 887,273	\$ 752,390	\$ 709,217
Public works .....	803,130	1,380,414	808,293	710,570	693,681
Health and social services .....	31,986	20,355	14,842	12,585	14,476
Culture and recreation.....	893,606	931,478	798,952	709,141	729,993
Community and economic development.....	25,087	374,213	19,954	16,423	65,423
General government .....	428,031	453,244	426,648	397,033	382,315
Debt service .....	1,840,112	616,038	622,876	652,727	758,187
Capital projects .....	<u>1,022,695</u>	<u>1,835,677</u>	<u>634,942</u>	<u>1,406,539</u>	<u>1,339,191</u>
<b>Total Disbursements.....</b>	<b><u>\$ 5,844,655</u></b>	<b><u>\$ 6,518,269</u></b>	<b><u>\$ 4,213,780</u></b>	<b><u>\$ 4,657,408</u></b>	<b><u>\$ 4,692,483</u></b>

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# 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 Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

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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, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 26, 2012. 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 described in the accompanying schedule of findings, 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 I of the accompanying schedule of findings and questioned as item 11-1-IC-1 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal controls which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying schedule of findings related to the financial statements as items 11-1-IC-2 to be a significant deficiency.

### **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 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. 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 26, 2012

# Schedule of Findings

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## Part I: Findings Related to the Financial Statements

### Internal Control Deficiencies

#### 11-1-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.

#### 11-1-IC-2 Financial Statement Presentation

**Current Year Finding** - The City does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with generally accepted accounting principles. As is inherent in many organizations of this size, the City has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully apply cash basis accounting principles in preparing the financial statements and the related disclosures.

**Auditor's Recommendation** - The City should obtain additional knowledge through reading relevant accounting literature and attending local professional education courses.

**City's Response** - The City will consider obtaining additional knowledge where cost effective but will continue to rely on its audit firm for assistance with drafting the financial statements and disclosures.

**Auditor's Conclusion** - Response accepted.

### Instances of Noncompliance

There were no instances of noncompliance reported.

# Schedule of Findings

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## **Part II: Compliance and Other Matters**

**11-II-C-1 Certified Budget** - Disbursements prior to amending the budget during the year ended June 30, 2011 exceeded the amounts budgeted in the Capital Projects 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.

**11-II-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.

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

**11-II-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:

<b>Name, Title and Business Connection</b>	<b>Transaction Description</b>	<b>Amount</b>
Lisa Vermedahl, Council member, spouse of owner of Three Rivers Insurance	Airport insurance	\$ 2,350

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

**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

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**11-II-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.

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

**11-II-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.

**11-II-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 or reduce expenses to provide net revenue at least equal to 120% of debt service.

**City's Response** - Water rates were increased effective July 1, 2010. This increase did raise the net revenue percent, but not to 120% of debt service. We anticipate that the prior increase of rates and other new revenue sources will guarantee net revenue equal to at least 120% of debt service during the year ending June 30, 2012.

**Auditor's Conclusion** - Response accepted.

**11-II-C-9 Financial Condition**

**Finding** - The Capital Projects - Flood Mitigation Fund had a deficit balance of \$44,854 at June 30, 2011.

**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.