

**CITY OF VINTON, IOWA**  
**JUNE 30, 2012**  
**FINANCIAL STATEMENTS**

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# Officials

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| Name  | Title                     | Term Expires    |
|---|---------------------------|-----------------|
| <b>Elected Officials - Before January, 2012</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 |

## Appointed Officials

|                  |                      |            |
|------------------|----------------------|------------|
| Cindy Michael    | Treasurer/City Clerk | Indefinite |
| Andrew Lent      | City Coordinator     | Indefinite |
| Fischer Law Firm | City Attorney        | Indefinite |

## Elected Officials - After January, 2012

|                  |                           |                 |
|------------------|---------------------------|-----------------|
| John R. Watson   | Mayor                     | January 1, 2014 |
| Ron Hessenius    | Council member - 1st Ward | January 1, 2014 |
| F. Ronald Elwick | Council member - 2nd Ward | January 1, 2016 |
| Bud Maynard      | Council member - 3rd Ward | January 1, 2014 |
| Chris Bendulll   | Council member - 4th Ward | January 1, 2016 |
| David Redlinger  | Council member at large   | January 1, 2014 |
| Tami Stark       | Council member at large   | January 1, 2016 |

## Appointed Officials

|                  |                      |            |
|------------------|----------------------|------------|
| Cindy Michael    | Treasurer/City Clerk | Indefinite |
| Andrew Lent      | City Coordinator     | Indefinite |
| Fischer Law Firm | City Attorney        | Indefinite |

## **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, 2012, 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, 2012, 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 December 4, 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 on 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  
City of Vinton, Iowa  
Page 2

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 five years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included on pages 25 through 30, including the schedule of expenditures of federal awards required by the 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards general accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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. Management's Discussion and Analysis and the budgetary comparison information on pages 4 through 9 and page 24 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*HOGAN - HANSEN*

HOGAN - HANSEN

Waterloo, Iowa  
December 4, 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, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

Total receipts of the City decreased 8%, or approximately \$640,000, from fiscal 2011 to fiscal 2012. Property tax receipts, including TIF collections and other city taxes, decreased \$114,056, charges for services decreased \$192,289 and grants, contributions and restricted interest increased by \$286,070 and bond proceeds decreased by \$890,209.

Disbursements decreased 15%, or approximately \$900,000, in fiscal 2012 from fiscal 2011. Capital projects disbursements decreased \$474,000, debt service decreased by approximately \$1,310,000, while business-type activities increased by approximately \$422,000.

The City's total cash basis net assets increased 31%, or approximately \$960,000, from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities increased approximately \$1,130,000 and the assets of the business-type activities decreased by approximately \$170,000.

### **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.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

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 benefitting 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 13. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in this fund are used for its intended purpose.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from \$2,026,637 a year ago to \$3,155,072. 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>2012</u>                | <u>2011</u>                |
| <b>Receipts and Transfers</b>                           |                            |                            |
| Program Receipts  |                            |                            |
| Charges for service                                     | \$ 501,999                 | \$ 706,032                 |
| Operating grants, contributions and restricted interest | 1,089,097                  | 755,100                    |
| Capital grants, contributions and restricted interest   | 337,935                    | 964,783                    |
| General Receipts  |                            |                            |
| Property tax and tax increment financing                | 2,125,843                  | 1,934,737                  |
| Local option sales tax                                  | 317,234                    | 305,162                    |
| Licenses  |                            |                            |
| Permits and franchise fees                              | 74,082                     | 62,757                     |
| Insurance recovery, net                                 | 137,116                    | —                          |
| Unrestricted interest on investments                    | 10,698                     | 13,932                     |
| Other general receipts                                  | 119,281                    | 10,902                     |
| Debt proceeds   | 736,359                    | 1,626,568                  |
| Interfund loans   | 75,000                     | —                          |
| Transfers, net  | <u>126,205</u>             | <u>162,294</u>             |
| <b>Total Receipts and Transfers</b>                     | <b><u>5,650,849</u></b>    | <b><u>6,542,267</u></b>    |
| <b>Disbursements</b>                                    |                            |                            |
| Public safety   | 876,443                    | 800,008                    |
| Public works  | 1,096,695                  | 803,130                    |
| Health and social services                              | 30,978                     | 31,986                     |
| Culture and recreation                                  | 913,989                    | 893,606                    |
| Community and economic development                      | 31,893                     | 25,087                     |
| General government                                      | 492,350                    | 428,031                    |
| Debt service  | 530,570                    | 1,840,112                  |
| Capital projects  | <u>549,496</u>             | <u>1,022,695</u>           |
| <b>Total Disbursements</b>                              | <b><u>4,522,414</u></b>    | <b><u>5,844,655</u></b>    |
| <b>Increase in Cash Basis Net Assets</b>                | <b><u>1,128,435</u></b>    | <b><u>697,612</u></b>      |
| Cash Basis Net Assets - Beginning of Year               | <u>2,026,637</u>           | <u>1,329,025</u>           |
| <b>Cash Basis Net Assets - End of Year</b>              | <b><u>\$ 3,155,072</u></b> | <b><u>\$ 2,026,637</u></b> |

The City's total receipts for governmental activities decreased 14%, or approximately \$890,000. The total cost of all programs and services decreased approximately \$1,320,000 or 23%, with no new programs added this year.

The City property tax rates for fiscal year 2012 remained approximately \$14.60. The City's property tax receipts increased approximately \$490,000 in fiscal year 2012. Based on increases in the total assessed valuation, property tax receipts are budgeted to increase an additional \$500,000 next year.

The cost of all governmental activities this year was \$4,522,414 compared to \$5,844,655 last year. As shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was only \$2,593,383 because some of the cost was paid by those directly benefiting from the programs (\$501,999) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$1,427,032). The City paid for the remaining "public benefit" portion of governmental activities with \$2,784,254 in general receipts, \$937,564 in transfers and debt proceeds and has \$3,155,072 in cash balances carried forward.

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

|   | <b>Year Ended June 30,</b> |                     |
|---|----------------------------|---------------------|
|   | <b>2012</b>                | <b>2011</b>         |
| <b>Receipts</b>                                     |                            |                     |
| Program Receipts                                    |                            |                     |
| Charges for Service                                 |                            |                     |
| Water utility                                       | \$ 527,914                 | \$ 523,972          |
| Wastewater treatment                                | 469,375                    | 479,788             |
| Landfill/recycling                                  | 435,213                    | 416,958             |
| Operating grants                                    | 13,781                     | 7,000               |
| General Receipts                                    |                            |                     |
| Interest  | 17,723                     | 14,501              |
| Bond proceeds                                       | 261,254                    | —                   |
| Other general receipts                              | 13,197                     | 6,317               |
| <b>Total Receipts</b>                               | <b>1,738,457</b>           | <b>1,448,536</b>    |
| <b>Disbursements and Transfers</b>                  |                            |                     |
| Water utility                                       | 947,490                    | 524,665             |
| Wastewater treatment                                | 350,055                    | 379,555             |
| Landfill/recycling                                  | 405,886                    | 377,592             |
| Transfers   | 126,205                    | 162,294             |
| Interfund loans                                     | 75,000                     | —                   |
| <b>Total Disbursements and Transfers</b>            | <b>1,904,636</b>           | <b>1,444,106</b>    |
| <b>Increase (Decrease) in Cash Basis Net Assets</b> | <b>(166,179)</b>           | <b>4,430</b>        |
| Cash Basis Net Assets - Beginning of Year           | 1,095,465                  | 1,091,035           |
| <b>Cash Basis Net Assets - End of Year</b>          | <b>\$ 929,286</b>          | <b>\$ 1,095,465</b> |

Total business-type activities receipts for the fiscal year were approximately \$1,740,000 compared to approximately \$1,450,000 last year. The increase was due to funds received from new development leading to increased activity and higher rates.

The cash balance decreased approximately \$170,000 and the total disbursements for the fiscal year increased 32% to approximately \$1,900,000 due to a refunding of water revenue bonds that included an upfront payment for the water utility and higher landfill fees from the county in the landfill fund.

### **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 \$3,155,072, an increase of \$1,128,435 from last year's total of \$2,026,637. 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 \$44,796 from the prior year to \$933,496 primarily due to smaller transfers into the General Fund than were anticipated, repairs made following the July 2011 windstorm and the purchase of a new telephone communications system at city hall.
- The Road Use Tax Special Revenue Fund decreased \$5,561 from the prior year to \$216,188 primarily due to increased cost in street maintenance.
- The Local Option Sales Tax (LOST) Fund increased \$36,925 to \$250,646 due to transfer of funds to funds designated for disbursement by the referendum that enacted the LOST being less than the current year tax collections.
- The Capital Projects West TIF #1 Projects increased \$759,525 from zero due to debt proceeds received for new capital projects.
- 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 \$5,563, a decrease of \$8,823 from the previous year.

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

- The water utility cash balance decreased by \$150,887 to \$82,575 due to an upfront payment during a refinancing of a water revenue bond.
- The wastewater treatment cash balance decreased by \$35,700 to \$713,968 mainly due to increased costs for electricity.
- The landfill/recycling cash balance increased by \$20,408 to \$132,743 primarily due to less expenditures.

## 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 unforeseen repairs taken place in the recovery from the July 2011 windstorm.

## DEBT ADMINISTRATION

At June 30, 2012, the City had \$4,296,790 in bonds and other long-term debt, compared to \$4,238,000 last year, as shown below:

### Outstanding Debt at Year End

|  | <u>Year Ended June 30,</u> |                            |
|--|----------------------------|----------------------------|
|  | <u>2012</u>                | <u>2011</u>                |
| General obligation bonds and notes                                       | \$ 4,195,000               | \$ 3,550,000               |
| Water revenue bonds  | 21,000                     | 588,000                    |
| Rural electric cooperative note  | <u>80,790</u>              | <u>100,000</u>             |
| <b>Total</b>   | <b><u>\$ 4,296,790</u></b> | <b><u>\$ 4,238,000</u></b> |
| <b>Loans From Vinton Municipal Electric Utility<br/>(Component Unit)</b> | <b><u>\$ 318,113</u></b>   | <b><u>\$ 337,161</u></b>   |
| <b>Interfund Loans</b>   | <b><u>\$ 530,000</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 \$4,296,700 is below its constitutional debt limit of \$11,169,627.

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

The City of Vinton has seen some economic development on the west side of the City, including a large regional fertilizer service center being constructed by New Century/Farm Service. The City has received a RISE grant from the state of Iowa to do a major reconstruction of West 13<sup>th</sup> Street in connection with this regional center to handle the increased vehicle traffic. The City's half of the cost will be paid with a bond issue that will be repaid with Tax Increment Financing from property taxes paid by New Century. The City is concerned about property tax reform that may come in the near future, especially if the reform results in a rollback for commercial property without a replacement for the lost revenue. With higher agricultural land prices, the residential rollback has improved, allowing for more taxable valuation and relief for business property owners as more of the property tax levy is shared. Barring any major changes, the City does not foresee a major change in the amount of its property tax levy.

## 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, 2012

| 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.....                                | \$ 876,443          | \$ 3,351            | \$ 319,733  | \$ —  | \$ (553,359)            | \$ —                     | \$ (553,359)        | \$ —                |
| Public works.....                                 | 1,096,695           | 183,174             | 747,590   | —   | (165,931)               | —                        | (165,931)           | —                   |
| Health and social services.....                   | 30,978              | —                   | —   | —   | (30,978)                | —                        | (30,978)            | —                   |
| Culture and recreation.....                       | 913,989             | 266,186             | 3,334   | —   | (644,469)               | —                        | (644,469)           | —                   |
| Community and economic development.....           | 31,893              | 5                   | —   | —   | (31,888)                | —                        | (31,888)            | —                   |
| General government.....                           | 492,350             | 49,283              | 18,440  | —   | (424,627)               | —                        | (424,627)           | —                   |
| Debt service.....                                 | 530,570             | —                   | —   | —   | (530,570)               | —                        | (530,570)           | —                   |
| Capital projects.....                             | 549,496             | —                   | —   | 337,935   | (211,561)               | —                        | (211,561)           | —                   |
| <b>Total Governmental Activities</b> .....        | <b>4,522,414</b>    | <b>501,999</b>      | <b>1,089,097</b>  | <b>337,935</b>  | <b>(2,593,383)</b>      | <b>—</b>                 | <b>(2,593,383)</b>  | <b>—</b>            |
| <b>Business-Type Activities</b>                   |                     |                     |   |   |                         |                          |                     |                     |
| Water utility.....                                | 947,490             | 527,914             | —   | —   | —                       | (419,576)                | (419,576)           | —                   |
| Wastewater treatment.....                         | 350,055             | 469,375             | 6,781   | —   | —                       | 126,101                  | 126,101             | —                   |
| Landfill/recycling.....                           | 405,886             | 435,213             | 7,000   | —   | —                       | 36,327                   | 36,327              | —                   |
| <b>Total Business-Type Activities</b> .....       | <b>1,703,431</b>    | <b>1,432,502</b>    | <b>13,781</b>   | <b>—</b>  | <b>—</b>                | <b>(257,148)</b>         | <b>(257,148)</b>    | <b>—</b>            |
| <b>Total Primary Government</b> .....             | <b>\$ 6,225,845</b> | <b>\$ 1,934,501</b> | <b>\$ 1,102,878</b>                                     | <b>\$ 337,935</b>   | <b>(2,593,383)</b>      | <b>(257,148)</b>         | <b>(2,850,531)</b>  | <b>—</b>            |
| <b>Component Unit</b>                             |                     |                     |   |   |                         |                          |                     |                     |
| Vinton Municipal Electric Utility.....            | <b>\$ 5,159,099</b> | <b>\$ 4,415,603</b> | <b>\$ —</b>   | <b>\$ 1,292,038</b>   | <b>—</b>                | <b>—</b>                 | <b>—</b>            | <b>548,542</b>      |
| <b>General Receipts</b>                           |                     |                     |   |   |                         |                          |                     |                     |
| Property and Other City Tax Levied for            |                     |                     |   |   |                         |                          |                     |                     |
| General purposes.....                             |                     |                     |   |   | 1,587,542               | —                        | 1,587,542           | —                   |
| Debt service.....                                 |                     |                     |   |   | 318,838                 | —                        | 318,838             | —                   |
| Tax increment financing.....                      |                     |                     |   |   | 219,463                 | —                        | 219,463             | —                   |
| Local option sales tax.....                       |                     |                     |   |   | 317,234                 | —                        | 317,234             | —                   |
| Licenses, permits and franchise fees.....         |                     |                     |   |   | 74,082                  | —                        | 74,082              | —                   |
| Unrestricted interest on investments.....         |                     |                     |   |   | 10,698                  | 17,723                   | 28,421              | 17,269              |
| Debt repayment.....                               |                     |                     |   |   | —                       | —                        | —                   | 19,049              |
| Bond proceeds.....                                |                     |                     |   |   | 736,359                 | 261,254                  | 997,613             | —                   |
| Miscellaneous.....                                |                     |                     |   |   | 109,281                 | 13,197                   | 122,478             | 49,694              |
| Sale of capital assets.....                       |                     |                     |   |   | 10,000                  | —                        | 10,000              | —                   |
| Insurance recovery, net.....                      |                     |                     |   |   | 137,116                 | —                        | 137,116             | —                   |
| Intrafund loans.....                              |                     |                     |   |   | 75,000                  | (75,000)                 | —                   | —                   |
| Transfers in (Out).....                           |                     |                     |   |   | 126,205                 | (126,205)                | —                   | —                   |
| <b>Total General Receipts and Transfers</b> ..... |                     |                     |   |   | <b>3,721,818</b>        | <b>90,969</b>            | <b>3,812,787</b>    | <b>86,012</b>       |
| <b>Change in Cash Basis Net Assets</b> .....      |                     |                     |   |   | <b>1,128,435</b>        | <b>(166,179)</b>         | <b>962,256</b>      | <b>634,554</b>      |
| Cash Basis Net Assets - Beginning of Year.....    |                     |                     |   |   | 2,026,637               | 1,095,465                | 3,122,102           | 2,659,359           |
| <b>Cash Basis Net Assets - End of Year</b> .....  |                     |                     |   |   | <b>\$ 3,155,072</b>     | <b>\$ 929,286</b>        | <b>\$ 4,084,358</b> | <b>\$ 3,293,913</b> |
| <b>Cash Basis Net Assets</b>                      |                     |                     |   |   |                         |                          |                     |                     |
| Restricted  |                     |                     |   |   |                         |                          |                     |                     |
| Nonexpendable                                     |                     |                     |   |   |                         |                          |                     |                     |
| Tobin Trust.....                                  |                     |                     |   |   | \$ 100,000              | \$ —                     | \$ 100,000          | \$ —                |
| Expendable  |                     |                     |   |   |                         |                          |                     |                     |
| Streets.....                                      |                     |                     |   |   | 216,188                 | —                        | 216,188             | —                   |
| Local option sales tax.....                       |                     |                     |   |   | 250,646                 | —                        | 250,646             | —                   |
| Capital projects.....                             |                     |                     |   |   | 759,525                 | —                        | 759,525             | —                   |
| Debt service.....                                 |                     |                     |   |   | 5,563                   | 44,944                   | 50,507              | —                   |
| Other purposes.....                               |                     |                     |   |   | 944,710                 | —                        | 944,710             | —                   |
| Unrestricted.....                                 |                     |                     |   |   | 878,440                 | 884,342                  | 1,762,782           | 3,293,913           |
| <b>Total Cash Basis Net Assets</b> .....          |                     |                     |   |   | <b>\$ 3,155,072</b>     | <b>\$ 929,286</b>        | <b>\$ 4,084,358</b> | <b>\$ 3,293,913</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, 2012

|   | General Fund              | Special Revenue - Road Use Tax | Special Revenue - Local Option Sales Tax | Capital Projects - West TIF #1 Projects | Debt Service            | Other Nonmajor Governmental Funds | Total                      |
|---|---------------------------|--------------------------------|--|---|-------------------------|-----------------------------------|----------------------------|
| <b>Receipts</b>                                   |                           |                                |  |   |                         |                                   |                            |
| Property taxes .....                              | \$ 1,106,741              | \$ —                           | \$ —                                     | \$ —                                    | \$ 318,838              | \$ 480,801                        | \$ 1,906,380               |
| Tax increment financing collections .....         | —                         | —                              | —  | —                                       | —                       | 219,463                           | 219,463                    |
| Other city taxes .....                            | —                         | —                              | 317,234                                  | —                                       | —                       | —                                 | 317,234                    |
| Licenses and permits.....                         | 74,082                    | —                              | —  | —                                       | —                       | —                                 | 74,082                     |
| Use of money and property .....                   | 33,791                    | —                              | 578                                      | 82                                      | 4,747                   | 1,894                             | 41,092                     |
| Intergovernmental .....                           | 305,569                   | 498,632                        | —  | —                                       | —                       | 622,832                           | 1,427,033                  |
| Charges for service .....                         | 446,130                   | —                              | —  | —                                       | —                       | 3,356                             | 449,486                    |
| Special assessments.....                          | —                         | —                              | —  | —                                       | 22,118                  | —                                 | 22,118                     |
| Miscellaneous.....                                | 105,963                   | —                              | —  | —                                       | —                       | 3,318                             | 109,281                    |
| <b>Total Receipts .....</b>                       | <b><u>2,072,276</u></b>   | <b><u>498,632</u></b>          | <b><u>317,812</u></b>                    | <b><u>82</u></b>                        | <b><u>345,703</u></b>   | <b><u>1,331,664</u></b>           | <b><u>4,566,169</u></b>    |
| <b>Disbursements</b>                              |                           |                                |  |   |                         |                                   |                            |
| Operating   |                           |                                |  |   |                         |                                   |                            |
| Public Safety .....                               | 860,091                   | —                              | —  | —                                       | —                       | 16,352                            | 876,443                    |
| Public Works .....                                | 606,781                   | 489,914                        | —  | —                                       | —                       | —                                 | 1,096,695                  |
| Health and Social Services.....                   | 16,978                    | —                              | 14,000                                   | —                                       | —                       | —                                 | 30,978                     |
| Culture and Recreation.....                       | 899,389                   | —                              | 14,600                                   | —                                       | —                       | —                                 | 913,989                    |
| Community and Economic Development .....          | 3,150                     | —                              | 14,887                                   | —                                       | —                       | 13,856                            | 31,893                     |
| General Government .....                          | 722,020                   | —                              | —  | —                                       | —                       | —                                 | 722,020                    |
| Debt Service.....                                 | —                         | —                              | —  | —                                       | 530,570                 | —                                 | 530,570                    |
| Capital Projects .....                            | —                         | —                              | —  | 31,916                                  | —                       | 517,580                           | 549,496                    |
| <b>Total Disbursements .....</b>                  | <b><u>3,108,409</u></b>   | <b><u>489,914</u></b>          | <b><u>43,487</u></b>                     | <b><u>31,916</u></b>                    | <b><u>530,570</u></b>   | <b><u>547,788</u></b>             | <b><u>4,752,084</u></b>    |
| <b>Receipts Over (Under) Disbursements .....</b>  | <b><u>(1,036,133)</u></b> | <b><u>8,718</u></b>            | <b><u>274,325</u></b>                    | <b><u>(31,834)</u></b>                  | <b><u>(184,867)</u></b> | <b><u>783,876</u></b>             | <b><u>(185,915)</u></b>    |
| <b>Other Financing Sources (Uses)</b>             |                           |                                |  |   |                         |                                   |                            |
| Interfund loan activity.....                      | —                         | —                              | —  | 75,000                                  | —                       | —                                 | 75,000                     |
| Insurance proceeds.....                           | 366,786                   | —                              | —  | —                                       | —                       | —                                 | 366,786                    |
| Sale of capital assets.....                       | —                         | —                              | —  | —                                       | —                       | 10,000                            | 10,000                     |
| Debt proceeds .....                               | —                         | —                              | —  | 716,359                                 | —                       | 20,000                            | 736,359                    |
| Operating transfers in .....                      | 624,551                   | —                              | —  | —                                       | 176,044                 | 212,747                           | 1,013,342                  |
| Operating transfers out.....                      | —                         | (14,279)                       | (237,400)                                | —                                       | —                       | (635,458)                         | (887,137)                  |
| <b>Total Other Financing Sources (Uses) .....</b> | <b><u>991,337</u></b>     | <b><u>(14,279)</u></b>         | <b><u>(237,400)</u></b>                  | <b><u>791,359</u></b>                   | <b><u>176,044</u></b>   | <b><u>(392,711)</u></b>           | <b><u>1,314,350</u></b>    |
| <b>Net Change in Cash Balances .....</b>          | <b><u>(44,796)</u></b>    | <b><u>(5,561)</u></b>          | <b><u>36,925</u></b>                     | <b><u>759,525</u></b>                   | <b><u>(8,823)</u></b>   | <b><u>391,165</u></b>             | <b><u>1,128,435</u></b>    |
| Cash Balances - Beginning of Year .....           | 978,292                   | 221,749                        | 213,721                                  | —                                       | 14,386                  | 598,489                           | 2,026,637                  |
| <b>Cash Balances - End of Year .....</b>          | <b><u>\$ 933,496</u></b>  | <b><u>\$ 216,188</u></b>       | <b><u>\$ 250,646</u></b>                 | <b><u>\$ 759,525</u></b>                | <b><u>\$ 5,563</u></b>  | <b><u>\$ 989,654</u></b>          | <b><u>\$ 3,155,072</u></b> |
| <b>Cash Basis Fund Balances</b>                   |                           |                                |  |   |                         |                                   |                            |
| Nonspendable .....                                | \$ —                      | \$ —                           | \$ —                                     | \$ —                                    | \$ —                    | \$ 100,000                        | \$ 100,000                 |
| Restricted for                                    |                           |                                |  |   |                         |                                   |                            |
| Streets.....                                      | —                         | 216,188                        | —  | —                                       | —                       | —                                 | 216,188                    |
| Local option sales tax .....                      | —                         | —                              | 250,646                                  | —                                       | —                       | —                                 | 250,646                    |
| Capital projects.....                             | —                         | —                              | —  | 759,525                                 | —                       | —                                 | 759,525                    |
| Debt service .....                                | —                         | —                              | —  | —                                       | 5,563                   | —                                 | 5,563                      |
| Other purposes.....                               | —                         | —                              | —  | —                                       | —                       | 944,710                           | 944,710                    |
| Unassigned .....                                  | 933,496                   | —                              | —  | —                                       | —                       | (55,056)                          | 878,440                    |
| <b>Total Cash Basis Fund Balances .....</b>       | <b><u>\$ 933,496</u></b>  | <b><u>\$ 216,188</u></b>       | <b><u>\$ 250,646</u></b>                 | <b><u>\$ 759,525</u></b>                | <b><u>\$ 5,563</u></b>  | <b><u>\$ 989,654</u></b>          | <b><u>\$ 3,155,072</u></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, 2012

|   | Water Utility           | Wastewater Treatment     | Landfill/ Recycling      | Total                    |
|---|-------------------------|--------------------------|--------------------------|--------------------------|
| <b>Operating Receipts</b>                             |                         |                          |                          |                          |
| Charges for service .....                             | \$ 527,914              | \$ 469,375               | \$ 435,213               | \$ 1,432,502             |
| Miscellaneous.....                                    | <u>2,508</u>            | <u>1,872</u>             | <u>8,817</u>             | <u>13,197</u>            |
| <b>Total Operating Receipts .....</b>                 | <b><u>530,422</u></b>   | <b><u>471,247</u></b>    | <b><u>444,030</u></b>    | <b><u>1,445,699</u></b>  |
| <b>Operating Disbursements</b>                        |                         |                          |                          |                          |
| Business-type activities .....                        | <u>352,778</u>          | <u>350,055</u>           | <u>398,290</u>           | <u>1,101,123</u>         |
| <b>Operating Receipts Over</b>                        |                         |                          |                          |                          |
| <b>Operating Disbursements .....</b>                  | <b><u>177,644</u></b>   | <b><u>121,192</u></b>    | <b><u>45,740</u></b>     | <b><u>344,576</u></b>    |
| <b>Nonoperating Receipts (Disbursements)</b>          |                         |                          |                          |                          |
| Intergovernmental .....                               | —                       | 6,781                    | 7,000                    | 13,781                   |
| Interest on deposits .....                            | 1,298                   | 2,325                    | 264                      | 3,887                    |
| Rents.....  | 13,836                  | —                        | —                        | 13,836                   |
| Debt proceeds.....                                    | 261,254                 | —                        | —                        | 261,254                  |
| Debt service .....                                    | (593,374)               | —                        | (7,596)                  | (600,970)                |
| Capital outlay.....                                   | <u>(1,338)</u>          | <u>—</u>                 | <u>—</u>                 | <u>(1,338)</u>           |
| <b>Net Nonoperating Receipts (Disbursements).....</b> | <b><u>(318,324)</u></b> | <b><u>9,106</u></b>      | <b><u>(332)</u></b>      | <b><u>(309,550)</u></b>  |
| <b>Receipts Over (Under) Disbursements.....</b>       | <b><u>(140,680)</u></b> | <b><u>130,298</u></b>    | <b><u>45,408</u></b>     | <b><u>35,026</u></b>     |
| <b>Other Financing Sources (Uses)</b>                 |                         |                          |                          |                          |
| Interfund loan activity.....                          | —                       | (75,000)                 | —                        | (75,000)                 |
| Transfers in .....                                    | 46,860                  | 12,000                   | —                        | 58,860                   |
| Transfers out .....                                   | <u>(57,067)</u>         | <u>(102,998)</u>         | <u>(25,000)</u>          | <u>(185,065)</u>         |
| <b>Total Other Financing Uses .....</b>               | <b><u>(10,207)</u></b>  | <b><u>(165,998)</u></b>  | <b><u>(25,000)</u></b>   | <b><u>(201,205)</u></b>  |
| <b>Net Change in Cash Balances .....</b>              | <b><u>(150,887)</u></b> | <b><u>(35,700)</u></b>   | <b><u>20,408</u></b>     | <b><u>(166,179)</u></b>  |
| Cash Balances - Beginning of Year .....               | <u>233,462</u>          | <u>749,668</u>           | <u>112,335</u>           | <u>1,095,465</u>         |
| <b>Cash Balances - End of Year .....</b>              | <b><u>\$ 82,575</u></b> | <b><u>\$ 713,968</u></b> | <b><u>\$ 132,743</u></b> | <b><u>\$ 929,286</u></b> |
| <b>Cash Basis Fund Balances</b>                       |                         |                          |                          |                          |
| Restricted for debt service .....                     | \$ 44,944               | \$ —                     | \$ —                     | \$ 44,944                |
| Unrestricted.....                                     | <u>37,631</u>           | <u>713,968</u>           | <u>132,743</u>           | <u>884,342</u>           |
| <b>Total Cash Basis Fund Balances .....</b>           | <b><u>\$ 82,575</u></b> | <b><u>\$ 713,968</u></b> | <b><u>\$ 132,743</u></b> | <b><u>\$ 929,286</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, 2012

|  | <b>Agency<br/>Funds</b> |
|--|-------------------------|
| <b>Receipts</b>                          |                         |
| Deposits .....                           | <b>\$ 44,869</b>        |
| <b>Disbursements</b>                     |                         |
| Refunds of deposits.....                 | <u><b>31,901</b></u>    |
| <b>Net Change in Cash Balances</b> ..... | <b>12,968</b>           |
| Cash Balances - Beginning of Year .....  | <u>76,124</u>           |
| <b>Cash Balances - End of Year</b> ..... | <u><b>\$ 89,092</b></u> |

## 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 from general and emergency levies 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.

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.

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

### **Capital Projects**

The West TIF #1 Fund is used to account for bond proceeds and other revenue to be used for capital projects within the West TIF district.

### **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.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

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 other information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted prior to the budget being amended in the General Government and Debt Service functions. Additionally, disbursements as of June 30, 2012 exceeded the amounts budgeted in the Public Works, Culture and Recreation and General Government functions.

### Subsequent Events

Management has evaluated subsequent events through December 4, 2012, the date which the financial statements were available to be issued.

## (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2012 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.

### 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<br>Ending<br>June 30, | General Obligation<br>Bonds and Notes |                          | Water<br>Revenue Bonds  |                        | Rural Electric<br>Cooperative Loan |                        |
|----------------------------|---------------------------------------|--------------------------|-------------------------|------------------------|------------------------------------|------------------------|
|                            | Principal                             | Interest                 | Principal               | Interest               | Principal                          | Interest               |
| 2013 .....                 | \$ 500,000                            | \$ 123,978               | \$ 2,000                | \$ 630                 | \$ 19,595                          | \$ 1,472               |
| 2014 .....                 | 585,000                               | 112,981                  | 2,000                   | 570                    | 19,990                             | 1,077                  |
| 2015 .....                 | 470,000                               | 100,294                  | 2,000                   | 510                    | 20,394                             | 673                    |
| 2016 .....                 | 490,000                               | 87,969                   | 2,000                   | 450                    | 20,811                             | 252                    |
| 2017 .....                 | 390,000                               | 74,925                   | 2,000                   | 390                    | —                                  | —                      |
| 2018-2022 .....            | 1,550,000                             | 197,780                  | 11,000                  | 1,050                  | —                                  | —                      |
| 2023-2027 .....            | 210,000                               | 9,030                    | —                       | —                      | —                                  | —                      |
|                            | <b><u>\$ 4,195,000</u></b>            | <b><u>\$ 706,957</u></b> | <b><u>\$ 21,000</u></b> | <b><u>\$ 3,600</u></b> | <b><u>\$ 80,790</u></b>            | <b><u>\$ 3,474</u></b> |

| Year<br>Ending<br>June 30, | Vinton Electric Utility |                        |                          |                         | From<br>Capital Projects |                    | Total                      |                          |
|----------------------------|-------------------------|------------------------|--------------------------|-------------------------|--------------------------|--------------------|----------------------------|--------------------------|
|                            | From<br>Landfill Fund   |                        | From<br>General Fund     |                         | From SW TIF              |                    | Principal                  | Interest                 |
|                            | Principal               | Interest               | Principal                | Interest                | Principal                | Interest           |                            |                          |
| 2013 .....                 | \$ 6,293                | \$ 1,302               | \$ 33,000                | \$ 6,394                | \$ 20,000                | \$ —               | \$ 580,888                 | \$ 133,776               |
| 2014 .....                 | 6,547                   | 1,048                  | 33,000                   | 5,569                   | —                        | —                  | 646,537                    | 121,245                  |
| 2015 .....                 | 6,812                   | 783                    | 33,000                   | 4,744                   | —                        | —                  | 532,206                    | 107,004                  |
| 2016 .....                 | 7,087                   | 508                    | 33,000                   | 3,919                   | —                        | —                  | 552,898                    | 93,098                   |
| 2017 .....                 | 7,373                   | 224                    | 33,000                   | 3,094                   | —                        | —                  | 432,373                    | 78,633                   |
| 2018-2022                  | —                       | —                      | 99,000                   | 4,332                   | —                        | —                  | 1,660,000                  | 203,162                  |
| 2023-2027                  | —                       | —                      | —                        | —                       | —                        | —                  | 210,000                    | 9,030                    |
|                            | <b><u>\$ 34,112</u></b> | <b><u>\$ 3,865</u></b> | <b><u>\$ 264,000</u></b> | <b><u>\$ 28,052</u></b> | <b><u>\$ 20,000</u></b>  | <b><u>\$ —</u></b> | <b><u>\$ 4,614,902</u></b> | <b><u>\$ 745,948</u></b> |

The City has pledged future water customer receipts, net of specified operating disbursements, to repay water revenue bonds. 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 \$24,600. For the current year, principal and interest paid and net receipts were \$592,267 and \$545,556, respectively.

#### 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, 2012 which included interest of \$1,547. The note payable balance was \$34,112 at June 30, 2012.

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 \$40,219 during the year ended June 30, 2012 which included interest of \$7,219. The note payable balance was \$264,000 at June 30, 2012.

During the year ended June 30, 2012, the Utility loaned \$20,000 to the City of Vinton to help finance water main repairs and replacements. The City did not make any repayments during the year ended June 30, 2012, and the note payable balance was \$20,000 at June 30, 2012.

## Notes to the Financial Statements

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

#### **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. The City Council approved a 2% interest-bearing interfund loan in the amount of \$150,000 on November 10, 2011. During the year ended June 30, 2012, \$75,000 was advanced on this loan to install water mains within the West TIF #1 District. 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, 2012. The interfund loan balance was \$530,000 at June 30, 2012.

### **(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 5.38% of their annual salary and the City was required to contribute 8.07% 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, 2012, 2011 and 2010 were \$165,344, \$145,391 and \$133,410, 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 28 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 \$459 or \$594 for single coverage and either \$1,162 or \$1,486 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the City contributed \$326,798 and plan members eligible for benefits contributed \$49,948 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, 2012, primarily relating to the General Fund, is as follows:

| Type of Benefit           | Amount<br>June 30, 2012  |
|---------------------------|--------------------------|
| <b>Primary Government</b> |                          |
| Vacation .....            | \$ 49,117                |
| Sick leave .....          | <u>392,371</u>           |
|                           | <u><b>\$ 441,488</b></u> |

The liability has been computed based on rates of pay as of June 30, 2012.

### (7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

| Transfer To                     | Transfer From         | Amount         |
|---------------------------------|-----------------------|----------------|
| General                         | Major Governmental    |                |
|                                 | Local Sales Tax       | \$ 12,400      |
|                                 | Nonmajor Governmental |                |
|                                 | FICA/IPERS            | 171,725        |
|                                 | Employee Benefits     | 315,935        |
|                                 | Permanent             | 266            |
|                                 | Enterprise            |                |
|                                 | Water Utility         | 57,067         |
|                                 | Wastewater Treatment  | 42,158         |
|                                 | Landfill/Recycling    | <u>25,000</u>  |
|                                 |                       | <u>624,551</u> |
| Special Revenue<br>Housing Fund | Nonmajor Governmental |                |
|                                 | SE TIF #1             | 27,229         |
|                                 | West TIF #1           | 17,000         |
|                                 | SW TIF                | <u>6,518</u>   |
|                                 |                       | <u>50,747</u>  |

## Notes to the Financial Statements

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### (7) Interfund Transfers

| Transfer To          | Transfer From         | Amount                     |
|----------------------|-----------------------|----------------------------|
| Debt Service         | Major Governmental    |                            |
|                      | Road Use Tax          | \$ 14,279                  |
|                      | Local Sales Tax       | 75,000                     |
|                      | Nonmajor Governmental |                            |
|                      | SE TIF #1             | 39,562                     |
|                      | West TIF #1           | 7,584                      |
|                      | SW TIF                | 13,779                     |
|                      | Enterprise            |                            |
|                      | Wastewater Treatment  | <u>25,840</u>              |
|                      |                       | <u>176,044</u>             |
| Capital Projects     | Major Governmental    |                            |
| Miscellaneous        | Local Sales Tax       | 150,000                    |
|                      | Nonmajor Governmental |                            |
|                      | West TIF #2           | <u>12,000</u>              |
|                      |                       | <u>162,000</u>             |
| Enterprise           | Enterprise            |                            |
| Water Utility        | Wastewater Treatment  | 35,000                     |
|                      | Nonmajor Governmental |                            |
|                      | SE TIF #1             | <u>11,860</u>              |
|                      |                       | <u>46,860</u>              |
| Wastewater Treatment | Nonmajor Governmental |                            |
|                      | West TIF #2           | <u>12,000</u>              |
| <b>Total</b>         |                       | <b><u>\$ 1,072,202</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 \$5,307 during the year ended June 30, 2012.

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 6.71% at June 30, 2012. 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 .....                           | \$ 159,987 |
| Amounts paid by the City for services.....                                       | 161,132    |
| Payable from the City at year end for electric services .....                    | 12,131     |
|  |            |
| Note balance beginning of year .....   | 337,162    |
| Current year loan.....   | 20,000     |
| Amounts paid by the City for loan repayments including interest of \$8,766 ..... | 47,814     |
| Note balances at year end.....   | 318,112    |
|  |            |
| Payments received by the City for services received .....                        | 59,400     |

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 .....            | \$ 2,276,872 |
| Cash payments to RPGI.....             | 2,281,720    |
| Payable to RPGI at June 30, 2012 ..... | 241,768      |
| Investment in RPGI .....               | —            |
| Share of RPGI net cash.....            | 281,676      |

## 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, 2012, the City was committed to approximately \$128,000 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, 2012.

### **(12) Deficit Balance**

The Capital Projects - Flood Mitigation Fund had a deficit balance of \$47,653 at June 30, 2012. 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.

The Capital Projects - 2nd Avenue Water Main Replacement had a deficit balance of \$7,403 at June 30, 2012. The deficit balance was the result of expense on a new project. This deficit will be eliminated upon receipt of bond or grant funds.

**Other Information** 

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**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, 2012

|   | Governmental<br>Funds - Actual | Enterprise<br>Funds - Actual | Discretely<br>Presented<br>Component<br>Unit - Actual | Net                 | Budgeted Amounts    |                     | Over (Under)<br>Budget |
|---|--------------------------------|------------------------------|---|---------------------|---------------------|---------------------|------------------------|
|   |                                |                              |   |                     | Original            | Final               |                        |
| <b>Receipts</b>   |                                |                              |   |                     |                     |                     |                        |
| Property taxes .....  | \$ 1,906,380                   | \$ —                         | \$ —  | \$ 1,906,380        | \$ 1,845,359        | \$ 1,845,359        | \$ 61,021              |
| Tax increment financing .....   | 219,463                        | —                            | —   | 219,463             | 213,758             | 213,758             | 5,705                  |
| Other city taxes .....  | 317,234                        | —                            | —   | 317,234             | 308,248             | 308,248             | 8,986                  |
| Licenses and permits.....   | 74,082                         | —                            | —   | 74,082              | 59,500              | 59,500              | 14,582                 |
| Use of money and property .....   | 41,092                         | 17,723                       | 17,269  | 76,084              | 72,205              | 72,205              | 3,879                  |
| Intergovernmental .....   | 1,427,033                      | 13,781                       | 1,292,038   | 2,732,852           | 851,240             | 1,696,240           | 1,036,612              |
| Charges for service .....   | 449,486                        | 1,432,502                    | 4,415,603   | 6,297,591           | 6,384,147           | 6,384,147           | (86,556)               |
| Special assessments.....  | 22,118                         | —                            | —   | 22,118              | 20,000              | 20,000              | 2,118                  |
| Miscellaneous.....  | 109,281                        | 13,197                       | 49,694  | 172,172             | 54,650              | 54,650              | 117,522                |
| <b>Total Receipts .....</b>   | <b>4,566,169</b>               | <b>1,477,203</b>             | <b>5,774,604</b>                                      | <b>11,817,976</b>   | <b>9,809,107</b>    | <b>10,654,107</b>   | <b>1,163,869</b>       |
| <b>Disbursements</b>  |                                |                              |   |                     |                     |                     |                        |
| Public Safety .....   | 876,443                        | —                            | —   | 876,443             | 871,249             | 1,202,249           | (325,806)              |
| Public Works .....  | 1,096,695                      | —                            | —   | 1,096,695           | 1,060,861           | 1,060,861           | 35,834                 |
| Health and Social Services.....   | 30,978                         | —                            | —   | 30,978              | 32,832              | 32,832              | (1,854)                |
| Culture and Recreation.....   | 913,989                        | —                            | —   | 913,989             | 876,718             | 876,718             | 37,271                 |
| Community and Economic Development.....   | 31,893                         | —                            | —   | 31,893              | 54,900              | 54,900              | (23,007)               |
| General Government.....   | 722,020                        | —                            | —   | 722,020             | 421,622             | 721,622             | 398                    |
| Debt Service.....   | 530,570                        | —                            | —   | 530,570             | 538,752             | 538,752             | (8,182)                |
| Capital Projects .....  | 549,496                        | —                            | —   | 549,496             | 410,000             | 641,000             | (91,504)               |
| Business-Type Activities.....   | —                              | 1,703,431                    | 5,159,099   | 6,862,530           | 8,732,652           | 8,732,652           | (1,870,122)            |
| <b>Total Disbursements.....</b>   | <b>4,752,084</b>               | <b>1,703,431</b>             | <b>5,159,099</b>                                      | <b>11,614,614</b>   | <b>12,999,586</b>   | <b>13,861,586</b>   | <b>(2,246,972)</b>     |
| <b>Receipts Over (Under) Disbursements .....</b>  | <b>(185,915)</b>               | <b>(226,228)</b>             | <b>615,505</b>  | <b>203,362</b>      | <b>(3,190,479)</b>  | <b>(3,207,479)</b>  | <b>3,410,841</b>       |
| <b>Other Financing Sources, Net .....</b>   | <b>1,314,350</b>               | <b>60,049</b>                | <b>19,049</b>   | <b>1,393,448</b>    | <b>—</b>            | <b>—</b>            | <b>1,393,448</b>       |
| <b>Receipts and Other Financing Sources Over<br/>(Under) Disbursements and Other Financing Uses</b> | <b>1,128,435</b>               | <b>(166,179)</b>             | <b>634,554</b>  | <b>1,596,810</b>    | <b>(3,190,479)</b>  | <b>(3,207,479)</b>  | <b>4,804,289</b>       |
| Balances - Beginning of Year .....  | 2,026,637                      | 1,095,465                    | 2,659,359   | 5,781,461           | 5,068,167           | 5,068,167           | 713,294                |
| <b>Balances - End of Year.....</b>  | <b>\$ 3,155,072</b>            | <b>\$ 929,286</b>            | <b>\$ 3,293,913</b>                                   | <b>\$ 7,378,271</b> | <b>\$ 1,877,688</b> | <b>\$ 1,860,688</b> | <b>\$ 5,517,583</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 \$862,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted prior to being amended in the General Government and Capital Projects functions. Additionally, disbursements as of June 30, 2012 exceeded the amounts budgeted in the Public Works, Culture and Recreation and General Government functions.

**Supplementary Information**

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

Year Ended June 30, 2012

|  | FICA/<br>IPERS   | Employee<br>Benefits | NW TIF        | SE TIF #1       | West TIF #1     | SW TIF          | Downtown<br>TIF | West<br>TIF #2 | Police<br>Training<br>Fund | Asset<br>Forfeiture | Housing         | Tobin<br>Trust |
|--|------------------|----------------------|---------------|-----------------|-----------------|-----------------|-----------------|----------------|----------------------------|---------------------|-----------------|----------------|
| <b>Receipts</b>                                  |                  |                      |               |                 |                 |                 |                 |                |                            |                     |                 |                |
| Property taxes - general purpose.....            | \$ 171,725       | \$ 309,076           | \$ —          | \$ —            | \$ —            | \$ —            | \$ —            | \$ —           | \$ —                       | \$ —                | \$ —            | \$ —           |
| TIF collections .....                            | —                | —                    | 1             | 80,844          | 101,283         | 21,384          | 67              | 15,884         | —                          | —                   | —               | —              |
| Use of money and property .....                  | —                | —                    | 217           | 174             | 301             | 16              | —               | 157            | —                          | 352                 | 138             | 266            |
| Intergovernmental .....                          | —                | —                    | —             | —               | —               | —               | —               | —              | —                          | 284,897             | —               | —              |
| Charges for services.....                        | —                | —                    | —             | —               | —               | —               | —               | —              | 3,351                      | —                   | 5               | —              |
| Miscellaneous.....                               | —                | —                    | —             | —               | —               | —               | —               | —              | —                          | —                   | 2,664           | —              |
| <b>Total Receipts.....</b>                       | <b>171,725</b>   | <b>309,076</b>       | <b>218</b>    | <b>81,018</b>   | <b>101,584</b>  | <b>21,400</b>   | <b>67</b>       | <b>16,041</b>  | <b>3,351</b>               | <b>285,249</b>      | <b>2,807</b>    | <b>266</b>     |
| <b>Disbursements</b>                             |                  |                      |               |                 |                 |                 |                 |                |                            |                     |                 |                |
| Operating  |                  |                      |               |                 |                 |                 |                 |                |                            |                     |                 |                |
| Public Safety .....                              | —                | —                    | —             | —               | —               | —               | —               | —              | 1,682                      | 14,670              | —               | —              |
| Community and Economic Development...            | —                | —                    | —             | —               | —               | —               | —               | —              | —                          | —                   | 13,856          | —              |
| Capital projects.....                            | —                | —                    | —             | —               | —               | —               | —               | —              | —                          | —                   | —               | —              |
| <b>Total Disbursements.....</b>                  | <b>—</b>         | <b>—</b>             | <b>—</b>      | <b>—</b>        | <b>—</b>        | <b>—</b>        | <b>—</b>        | <b>—</b>       | <b>1,682</b>               | <b>14,670</b>       | <b>13,856</b>   | <b>—</b>       |
| <b>Receipts Over (Under) Disbursements .....</b> | <b>171,725</b>   | <b>309,076</b>       | <b>218</b>    | <b>81,018</b>   | <b>101,584</b>  | <b>21,400</b>   | <b>67</b>       | <b>16,041</b>  | <b>1,669</b>               | <b>270,579</b>      | <b>(11,049)</b> | <b>266</b>     |
| <b>Other Financing Sources (Uses)</b>            |                  |                      |               |                 |                 |                 |                 |                |                            |                     |                 |                |
| Bond proceeds .....                              | —                | —                    | —             | —               | —               | —               | —               | —              | —                          | —                   | —               | —              |
| Sale of capital assets.....                      | —                | —                    | —             | —               | —               | —               | —               | —              | —                          | —                   | 10,000          | —              |
| Transfers in .....                               | —                | —                    | —             | —               | —               | —               | —               | —              | —                          | —                   | 50,747          | —              |
| Transfers out .....                              | (171,725)        | (315,935)            | —             | (78,651)        | (48,584)        | (20,297)        | —               | —              | —                          | —                   | —               | (266)          |
| <b>Total Other Financing Sources (Uses)</b>      | <b>(171,725)</b> | <b>(315,935)</b>     | <b>—</b>      | <b>(78,651)</b> | <b>(48,584)</b> | <b>(20,297)</b> | <b>—</b>        | <b>—</b>       | <b>—</b>                   | <b>—</b>            | <b>60,747</b>   | <b>(266)</b>   |
| <b>Change in Net Cash Balances .....</b>         | <b>—</b>         | <b>(6,859)</b>       | <b>218</b>    | <b>2,367</b>    | <b>53,000</b>   | <b>1,103</b>    | <b>67</b>       | <b>16,041</b>  | <b>1,669</b>               | <b>270,579</b>      | <b>49,698</b>   | <b>—</b>       |
| Cash Balances - Beginning of Year .....          | 6,295            | 49,012               | 78,586        | 42,840          | 83,652          | 1,359           | 24,011          | 55,164         | 3,277                      | —                   | 82,646          | 100,000        |
| <b>Cash Balances - End of Year .....</b>         | <b>6,295</b>     | <b>42,153</b>        | <b>78,804</b> | <b>45,207</b>   | <b>136,652</b>  | <b>2,462</b>    | <b>24,078</b>   | <b>71,205</b>  | <b>4,946</b>               | <b>270,579</b>      | <b>132,344</b>  | <b>100,000</b> |
| <b>Cash Basis Fund Balances</b>                  |                  |                      |               |                 |                 |                 |                 |                |                            |                     |                 |                |
| Nonspendable .....                               | \$ —             | \$ —                 | \$ —          | \$ —            | \$ —            | \$ —            | \$ —            | \$ —           | \$ —                       | \$ —                | \$ —            | \$ 100,000     |
| Restricted for other purposes .....              | 6,295            | 42,153               | 78,804        | 45,207          | 136,652         | 2,462           | 24,078          | 71,205         | 4,946                      | 270,579             | 132,344         | —              |
| Unassigned .....                                 | —                | —                    | —             | —               | —               | —               | —               | —              | —                          | —                   | —               | —              |
| <b>Total Cash Basis Fund Balances .....</b>      | <b>6,295</b>     | <b>42,153</b>        | <b>78,804</b> | <b>45,207</b>   | <b>136,652</b>  | <b>2,462</b>    | <b>24,078</b>   | <b>71,205</b>  | <b>4,946</b>               | <b>270,579</b>      | <b>132,344</b>  | <b>100,000</b> |

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

Year Ended June 30, 2012

|  | Miscellaneous    | Sidewalk Fund   | SW TIF           | Flood Mitigation   | Community Disaster Grant | Windstorm 2011   | SAFE TEA LU      | Sidewalk Fund   | 2nd Avenue Water Main Replacement | Downtown Improvements | Total             |
|--|------------------|-----------------|------------------|--------------------|--------------------------|------------------|------------------|-----------------|-----------------------------------|-----------------------|-------------------|
| <b>Receipts</b>                                  |                  |                 |                  |                    |                          |                  |                  |                 |                                   |                       |                   |
| Property taxes - general purpose.....            | \$ —             | \$ —            | \$ —             | \$ —               | \$ —                     | \$ —             | \$ —             | \$ —            | \$ —                              | \$ —                  | \$ 480,801        |
| TIF collections .....                            | —                | —               | —                | —                  | —                        | —                | —                | —               | —                                 | —                     | 219,463           |
| Use of money and property .....                  | 115              | 14              | 8                | —                  | —                        | —                | 122              | 14              | —                                 | —                     | 1,894             |
| Intergovernmental .....                          | 4,564            | —               | —                | 96,254             | —                        | 237,117          | —                | —               | —                                 | —                     | 622,832           |
| Charges for services.....                        | —                | —               | —                | —                  | —                        | —                | —                | —               | —                                 | —                     | 3,356             |
| Miscellaneous.....                               | —                | —               | —                | 304                | —                        | 350              | —                | —               | —                                 | —                     | 3,318             |
| <b>Total Receipts.....</b>                       | <b>4,679</b>     | <b>14</b>       | <b>8</b>         | <b>96,558</b>      | <b>—</b>                 | <b>237,467</b>   | <b>122</b>       | <b>14</b>       | <b>—</b>                          | <b>—</b>              | <b>1,331,664</b>  |
| <b>Disbursements</b>                             |                  |                 |                  |                    |                          |                  |                  |                 |                                   |                       |                   |
| Operating  |                  |                 |                  |                    |                          |                  |                  |                 |                                   |                       |                   |
| Public Safety .....                              | —                | —               | —                | —                  | —                        | —                | —                | —               | —                                 | —                     | 16,352            |
| Community and Economic Development...            | —                | —               | —                | —                  | —                        | —                | —                | —               | —                                 | —                     | 13,856            |
| Capital projects.....                            | 174,221          | —               | 7,297            | 99,356             | 626                      | 218,233          | 10,444           | —               | 7,403                             | —                     | 517,580           |
| <b>Total Disbursements.....</b>                  | <b>174,221</b>   | <b>—</b>        | <b>7,297</b>     | <b>99,356</b>      | <b>626</b>               | <b>218,233</b>   | <b>10,444</b>    | <b>—</b>        | <b>7,403</b>                      | <b>—</b>              | <b>547,788</b>    |
| <b>Receipts Over (Under) Disbursements .....</b> | <b>(169,542)</b> | <b>14</b>       | <b>(7,289)</b>   | <b>(2,798)</b>     | <b>(626)</b>             | <b>19,234</b>    | <b>(10,322)</b>  | <b>14</b>       | <b>(7,403)</b>                    | <b>—</b>              | <b>783,876</b>    |
| <b>Other Financing Sources (Uses)</b>            |                  |                 |                  |                    |                          |                  |                  |                 |                                   |                       |                   |
| Bond proceeds .....                              | —                | —               | 20,000           | —                  | —                        | —                | —                | —               | —                                 | —                     | 20,000            |
| Sale of capital assets.....                      | —                | —               | —                | —                  | —                        | —                | —                | —               | —                                 | —                     | 10,000            |
| Transfers in .....                               | 162,000          | —               | —                | —                  | —                        | —                | —                | —               | —                                 | —                     | 212,747           |
| Transfers out .....                              | —                | —               | —                | —                  | —                        | —                | —                | —               | —                                 | —                     | (635,458)         |
| <b>Total Other Financing Sources (Uses)</b>      | <b>162,000</b>   | <b>—</b>        | <b>20,000</b>    | <b>—</b>           | <b>—</b>                 | <b>—</b>         | <b>—</b>         | <b>—</b>        | <b>—</b>                          | <b>—</b>              | <b>(392,711)</b>  |
| <b>Change in Net Cash Balances .....</b>         | <b>(7,542)</b>   | <b>14</b>       | <b>12,711</b>    | <b>(2,798)</b>     | <b>(626)</b>             | <b>19,234</b>    | <b>(10,322)</b>  | <b>14</b>       | <b>(7,403)</b>                    | <b>—</b>              | <b>391,165</b>    |
| Cash Balances - Beginning of Year .....          | 53,745           | 5,231           | —                | (44,855)           | 626                      | —                | 52,107           | 4,742           | —                                 | 51                    | 598,489           |
| <b>Cash Balances - End of Year .....</b>         | <b>\$ 46,203</b> | <b>\$ 5,245</b> | <b>\$ 12,711</b> | <b>\$ (47,653)</b> | <b>\$ —</b>              | <b>\$ 19,234</b> | <b>\$ 41,785</b> | <b>\$ 4,756</b> | <b>\$ (7,403)</b>                 | <b>\$ 51</b>          | <b>\$ 989,654</b> |
| <b>Cash Basis Fund Balances</b>                  |                  |                 |                  |                    |                          |                  |                  |                 |                                   |                       |                   |
| Nonspendable .....                               | \$ —             | \$ —            | \$ —             | \$ —               | \$ —                     | \$ —             | \$ —             | \$ —            | \$ —                              | \$ —                  | \$ 100,000        |
| Restricted for other purposes .....              | 46,203           | 5,245           | 12,711           | —                  | —                        | 19,234           | 41,785           | 4,756           | —                                 | 51                    | 944,710           |
| Unassigned .....                                 | —                | —               | —                | (47,653)           | —                        | —                | —                | —               | (7,403)                           | —                     | (55,056)          |
| <b>Total Cash Basis Fund Balances .....</b>      | <b>\$ 46,203</b> | <b>\$ 5,245</b> | <b>\$ 12,711</b> | <b>\$ (47,653)</b> | <b>\$ —</b>              | <b>\$ 19,234</b> | <b>\$ 41,785</b> | <b>\$ 4,756</b> | <b>\$ (7,403)</b>                 | <b>\$ 51</b>          | <b>\$ 989,654</b> |

## Schedule of Indebtedness

Year Ended June 30, 2012

|   | Amount<br>Originally<br>Issued | Date<br>of Issue | Interest Rate | Balance<br>Beginning<br>of Year | Issued<br>During Year    | Redeemed<br>During Year  | Balance<br>End of Year     | Interest<br>Paid         |
|---|--------------------------------|------------------|---------------|---------------------------------|--------------------------|--------------------------|----------------------------|--------------------------|
| <b>Bonded Indebtedness</b>                                |                                |                  |               |                                 |                          |                          |                            |                          |
| <b>General Obligation Bonds</b>                           |                                |                  |               |                                 |                          |                          |                            |                          |
| Corporate Purpose and Refunding Series 2012 .....         | \$ 985,000                     | 6-26-12          | 0.80 - 2.05%  | \$ —                            | \$ 985,000               | \$ —                     | \$ 985,000                 | \$ —                     |
| Corporate Purpose and Refunding Series 2011 .....         | 1,280,000                      | 3-15-11          | 2.00 - 2.75   | 1,280,000                       | —                        | 195,000                  | 1,085,000                  | 32,761                   |
| Corporate Purpose and Refunding Series 2006 .....         | 2,875,000                      | 8-1-06           | 4.13 - 4.30   | <u>2,270,000</u>                | <u>—</u>                 | <u>145,000</u>           | <u>2,125,000</u>           | <u>95,524</u>            |
| <b>Total General Obligation Bonds.....</b>                |                                |                  |               | <b><u>\$ 3,550,000</u></b>      | <b><u>\$ 985,000</u></b> | <b><u>\$ 340,000</u></b> | <b><u>\$ 4,195,000</u></b> | <b><u>\$ 128,285</u></b> |
| <b>Water Revenue Bonds</b>                                |                                |                  |               |                                 |                          |                          |                            |                          |
| 2002 Issue .....  | 40,000                         | 10-8-02          | 3.00          | \$ 23,000                       | \$ —                     | \$ 2,000                 | \$ 21,000                  | \$ 690                   |
| 2006 Issue .....  | 1,150,000                      | 5-1-06           | 4.05 - 4.20   | <u>565,000</u>                  | <u>—</u>                 | <u>565,000</u>           | <u>—</u>                   | <u>24,577</u>            |
| <b>Total Water Revenue Bonds.....</b>                     |                                |                  |               | <b><u>\$ 588,000</u></b>        | <b><u>\$ —</u></b>       | <b><u>\$ 567,000</u></b> | <b><u>\$ 21,000</u></b>    | <b><u>\$ 25,267</u></b>  |
| <b>Nonbonded Indebtedness</b>                             |                                |                  |               |                                 |                          |                          |                            |                          |
| <b>Rural Electric Cooperative .....</b>                   |                                |                  |               |                                 |                          |                          |                            |                          |
|   | 200,000                        | 6-29-06          | 2.00          | <b><u>\$ 100,000</u></b>        | <b><u>\$ —</u></b>       | <b><u>\$ 19,210</u></b>  | <b><u>\$ 80,790</u></b>    | <b><u>\$ 1,857</u></b>   |
| <b>Vinton Municipal Electric Utility (Component Unit)</b> |                                |                  |               |                                 |                          |                          |                            |                          |
| Street Department equipment .....                         | 330,000                        | 7-8-10           | 2.50          | \$ 297,000                      | \$ —                     | \$ 33,000                | \$ 264,000                 | \$ 7,219                 |
| Aerial truck.....   | 62,098                         | 6-1-07           | 4.00          | 40,161                          | —                        | 6,049                    | 34,112                     | 1,547                    |
| Water main repair and replacement .....                   | 20,000                         | 1-18-12          | 0.00          | <u>—</u>                        | <u>20,000</u>            | <u>—</u>                 | <u>20,000</u>              | <u>—</u>                 |
| <b>Total Vinton Municipal Electric Utility .....</b>      |                                |                  |               | <b><u>\$ 337,161</u></b>        | <b><u>\$ 20,000</u></b>  | <b><u>\$ 39,049</u></b>  | <b><u>\$ 318,112</u></b>   | <b><u>\$ 8,766</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          | 120,000                         | —                        | —                        | 120,000                    | —                        |
| West TIF #1 .....   | 150,000                        | 10-10-11         | 2.00          | <u>—</u>                        | <u>75,000</u>            | <u>—</u>                 | <u>75,000</u>              | <u>—</u>                 |
| <b>Total Interfund Loans.....</b>                         |                                |                  |               | <b><u>\$ 455,000</u></b>        | <b><u>\$ 75,000</u></b>  | <b><u>\$ —</u></b>       | <b><u>\$ 530,000</u></b>   | <b><u>\$ —</u></b>       |

# Schedule of Bond and Note Maturities

As of June 30, 2012

| Year<br>Ending<br>June 30, | General Obligation Bonds  |                     |  |                     |  |                   |   |                  | Total |
|----------------------------|---|---------------------|--|---------------------|--|-------------------|---|------------------|-------|
|                            | General Obligation<br>Corporate Purpose<br>and Refunding Series 2006<br>Issued 8-1-06 |                     | General Obligation<br>Corporate Purpose<br>and Refunding Series 2011<br>Issued 3-15-11 |                     | General Obligation<br>Corporate Purpose<br>and Refunding Series 2012<br>Issued 6-26-12 |                   | Revenue Bonds<br>Water Revenue Bonds - 2002<br>Issued 10-8-02 |                  |       |
|                            | Interest<br>Rates   | Amount              | Interest<br>Rates  | Amount              | Interest<br>Rates  | Amount            | Interest<br>Rates   | Amount           |       |
| 2013 .....                 | 4.13%   | \$ 160,000          | 2.00%  | \$ 210,000          | 0.80%  | \$ 130,000        | 3.00%   | \$ 2,000         |       |
| 2014 .....                 | 4.13  | 165,000             | 2.00   | 210,000             | 0.80   | 210,000           | 3.00  | 2,000            |       |
| 2015 .....                 | 4.13  | 180,000             | 2.00   | 215,000             | 0.80   | 75,000            | 3.00  | 2,000            |       |
| 2016 .....                 | 4.13  | 195,000             | 2.00   | 220,000             | 0.80   | 75,000            | 3.00  | 2,000            |       |
| 2017 .....                 | 4.25  | 200,000             | 2.50   | 110,000             | 1.25   | 80,000            | 3.00  | 2,000            |       |
| 2018 .....                 | 4.25  | 215,000             | 2.75   | 120,000             | 1.25   | 80,000            | 3.00  | 2,000            |       |
| 2019 .....                 | 4.25  | 220,000             |  | —                   | 1.65   | 80,000            | 3.00  | 2,000            |       |
| 2020 .....                 | 4.25  | 195,000             |  | —                   | 1.65   | 85,000            | 3.00  | 2,000            |       |
| 2021 .....                 | 4.25  | 205,000             |  | —                   | 2.05   | 85,000            | 3.00  | 2,000            |       |
| 2022 .....                 | 4.25  | 180,000             |  | —                   | 2.05   | 85,000            | 3.00  | 3,000            |       |
| 2023 .....                 | 4.30  | 210,000             |  | —                   |  | —                 |   | —                |       |
| <b>Total .....</b>         |   | <b>\$ 2,125,000</b> |  | <b>\$ 1,085,000</b> |  | <b>\$ 985,000</b> |   | <b>\$ 21,000</b> |       |

  

| Year<br>Ending<br>June 30, | Vinton Municipal Electric Utility |                  |  |                   |                               |                  | Benton County REC Note              |                  | Total               |
|----------------------------|-----------------------------------|------------------|--|-------------------|-------------------------------|------------------|-------------------------------------|------------------|---------------------|
|                            | Water Mains<br>Issued 1-18-12     |                  | Street Department Equipment<br>Issued 7-8-10 |                   | Aerial Truck<br>Issued 6-1-07 |                  | Road Construction<br>Issued 6-29-06 |                  |                     |
|                            | Interest<br>Rates                 | Amount           | Interest<br>Rates                            | Amount            | Interest<br>Rates             | Amount           | Interest<br>Rates                   | Amount           |                     |
| 2013 .....                 | 0.00%                             | \$ 20,000        | 2.50%  | \$ 33,000         | 4.00%                         | \$ 6,293         | 2.00%                               | \$ 19,595        | \$ 580,888          |
| 2014 .....                 |                                   | —                | 2.50   | 33,000            | 4.00                          | 6,547            | 2.00                                | 19,990           | 646,537             |
| 2015 .....                 |                                   | —                | 2.50   | 33,000            | 4.00                          | 6,812            | 2.00                                | 20,394           | 532,206             |
| 2016 .....                 |                                   | —                | 2.50   | 33,000            | 4.00                          | 7,087            | 2.00                                | 20,811           | 552,898             |
| 2017 .....                 |                                   | —                | 2.50   | 33,000            | 4.00                          | 7,373            |                                     | —                | 432,373             |
| 2018 .....                 |                                   | —                | 2.50   | 33,000            |                               | —                |                                     | —                | 450,000             |
| 2019 .....                 |                                   | —                | 2.50   | 33,000            |                               | —                |                                     | —                | 335,000             |
| 2020 .....                 |                                   | —                | 2.50   | 33,000            |                               | —                |                                     | —                | 315,000             |
| 2021 .....                 |                                   | —                |  | —                 |                               | —                |                                     | —                | 292,000             |
| 2022 .....                 |                                   | —                |  | —                 |                               | —                |                                     | —                | 268,000             |
| 2023 .....                 |                                   | —                |  | —                 |                               | —                |                                     | —                | 210,000             |
| <b>Total .....</b>         |                                   | <b>\$ 20,000</b> |  | <b>\$ 264,000</b> |                               | <b>\$ 34,112</b> |                                     | <b>\$ 80,790</b> | <b>\$ 4,614,902</b> |

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

Years Ended June 30, 2007 Through 2012

|   | 2012                | 2011                | 2010                | 2009                | 2008                | 2007                |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Receipts</b>                             |                     |                     |                     |                     |                     |                     |
| Property taxes .....                        | \$ 1,906,380        | \$ 1,741,198        | \$ 1,660,159        | \$ 1,537,888        | \$ 1,526,739        | \$ 1,650,684        |
| Tax increment financing .....               | 219,463             | 193,539             | 235,937             | 280,711             | 269,535             | 178,229             |
| Other city tax .....                        | 317,234             | 305,162             | 325,196             | 234,030             | —                   | 9,105               |
| Licenses and permits .....                  | 74,082              | 62,757              | 55,805              | 66,077              | 63,122              | 62,594              |
| Use of money and property ....              | 41,092              | 26,479              | 18,614              | 28,533              | 70,180              | 176,261             |
| Intergovernmental .....                     | 1,427,033           | 1,579,660           | 1,915,116           | 1,505,360           | 991,497             | 512,879             |
| Charges for service .....                   | 449,486             | 681,110             | 592,712             | 620,404             | 657,860             | 565,010             |
| Special assessments.....                    | 22,118              | 18,276              | 24,983              | 22,596              | 34,916              | 27,850              |
| Miscellaneous.....                          | 109,281             | 140,222             | 145,487             | 225,865             | 92,792              | 285,057             |
| <b>Total Receipts .....</b>                 | <b>\$ 4,566,169</b> | <b>\$ 4,748,403</b> | <b>\$ 4,974,009</b> | <b>\$ 4,521,464</b> | <b>\$ 3,706,641</b> | <b>\$ 3,467,669</b> |
| <b>Disbursements</b>                        |                     |                     |                     |                     |                     |                     |
| Operating                                   |                     |                     |                     |                     |                     |                     |
| Public safety.....                          | \$ 876,443          | \$ 800,008          | \$ 906,850          | \$ 887,273          | \$ 752,390          | \$ 709,217          |
| Public works.....                           | 1,096,695           | 803,130             | 1,380,414           | 808,293             | 710,570             | 693,681             |
| Health and social services                  | 30,978              | 31,986              | 20,355              | 14,842              | 12,585              | 14,476              |
| Culture and recreation.....                 | 913,989             | 893,606             | 931,478             | 798,952             | 709,141             | 729,993             |
| Community and economic<br>development ..... | 31,893              | 25,087              | 374,213             | 19,954              | 16,423              | 65,423              |
| General government .....                    | 722,020             | 428,031             | 453,244             | 426,648             | 397,033             | 382,315             |
| Debt service .....                          | 530,570             | 1,840,112           | 616,038             | 622,876             | 652,727             | 758,187             |
| Capital projects.....                       | 549,496             | 1,022,695           | 1,835,677           | 634,942             | 1,406,539           | 1,339,191           |
| <b>Total Disbursements .....</b>            | <b>\$ 4,752,084</b> | <b>\$ 5,844,655</b> | <b>\$ 6,518,269</b> | <b>\$ 4,213,780</b> | <b>\$ 4,657,408</b> | <b>\$ 4,692,483</b> |

# Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

| Federal Grantor/Pass-Through<br>Grantor/Program or Cluster Title   | Federal<br>CFDA<br>Number | Pass-Through<br>Entity<br>Identifying<br>Number | Federal<br>Expenditures  |
|--|---------------------------|---|--------------------------|
| <b>U.S. Department of Housing and Urban Development</b>  |                           |   |                          |
| Indirect   |                           |   |                          |
| Iowa Department of Economic Development<br>Community Development Block Grants/State's<br>Program and Non-Entitlement Grants in Hawaii .....  | 14.228                    | 08-DRHM-246                                     | <u>\$ 4,050</u>          |
| <b>U.S. Department of Transportation</b>   |                           |   |                          |
| Direct   |                           |   |                          |
| Federal Aviation Administration<br>Airport Improvement Program.....  | 20.106                    | 3-19-0092-06-2011                               | <u>242,418</u>           |
| <b>U.S. Department of the Treasury</b>   |                           |   |                          |
| Direct   |                           |   |                          |
| Treasury Forfeiture Fund .....   | 21.000                    |   | <u>14,670</u>            |
| <b>U.S. Department of Homeland Security</b>  |                           |   |                          |
| Indirect   |                           |   |                          |
| Iowa Department of Public Defense, Iowa Homeland<br>Security and Emergency Management Division<br>Disaster Grants - Public Assistance<br>(Presidentially Declared Disasters) ..... | 97.036                    | DR 4016-IA-PW99                                 | 163,675                  |
| Hazard Mitigation Grant (HMGP) .....   | 97.039                    |   | <u>77,171</u>            |
| <b>Total U.S. Department of Homeland Security</b>  |                           |   | <u><b>240,846</b></u>    |
| <b>Total Expenditures of Federal Awards.....</b>   |                           |   | <u><b>\$ 501,984</b></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.

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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, 2012, which collectively comprise the City's basic financial statements, as listed in the table of contents, and have issued our report thereon dated December 4, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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**

The management of the City of Vinton is responsible for establishing and maintaining effective 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Vinton's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Vinton's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to 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 and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and an other deficiency we consider to be a significant deficiency.

To the Honorable Mayor and  
Members of the City Council  
City of Vinton, Iowa  
Page 2

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 weakness is a deficiency, or a combination of deficiencies, in internal control such 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 costs as item 12-II-R-1 and 12-II-R-2 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control 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 II of the accompanying schedule of findings and questioned costs as items 12-II-R-3 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 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, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

*HOGAN - HANSEN*

HOGAN - HANSEN

Waterloo, Iowa  
December 4, 2012

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# HOGAN • HANSEN

*A Professional Corporation*

Certified Public Accountants and Consultants

## **Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

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

### **Compliance**

We have audited the City of Vinton's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City of Vinton's major federal programs for the year ended June 30, 2012. The City of Vinton'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 each of its major federal programs is the responsibility of the City of Vinton's management. Our responsibility is to express an opinion on the City of Vinton'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'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 on the City of Vinton's compliance with those requirements.

In our opinion, the City of Vinton complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

### **Internal Control Over Compliance**

The management of the City of Vinton is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Vinton'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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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'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 that we consider to be a material weakness.

A deficiency in the City's 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 12-III-R-1 to be a material weakness.

The City of Vinton's response to the 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 use of the officials, employees and citizens of the City of Vinton and other parties to whom the City of Vinton may report, including 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

Mason City, Iowa  
December 4, 2012

# Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

## Part I: Summary of the Independent Auditor's Results

### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified?  yes  no

Significant deficiencies identified not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

### Federal Awards

Internal control over major programs:

Material weakness identified?  yes  no

Significant deficiencies identified not considered to be material weakness?  yes  none reported

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

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

Identification of major programs:

### **CFDA Numbers**

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

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Year Ended June 30, 2012

## **Part II: Findings Related to the Financial Statements**

### **Internal Control Deficiencies**

#### **12-II-R-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 above condition exists and that journal entries are not being reviewed and also noted that support for these entries were not always available.

**Auditor's Recommendation** - We reiterate our prior year recommendation and recommend that journal entries, along with the documentation supporting the need for the entry be reviewed by management. We also recommend that the support for all journal entries be maintained.

**City's Response** - The Council is aware of the condition. We will review procedures and make changes where cost beneficial. We will establish a review process of journal entries and make sure all appropriate support is retained with the journal entry.

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

#### **12-II-R-2 General Ledger Account Review**

**Current Year Finding** - When checks are paid, the general ledger software codes these amounts to a liability account then will clear the liability account against the cash account. We noted that there were some instances when checks were paid but were not adjusted from the liability account against the cash account.

**Auditor's Recommendation** - The City should establish procedures to periodically review all liability accounts to make sure the system is properly clearing the liabilities against the cash account.

**City's Response** - We will establish procedures to review these accounts on a quarterly basis.

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

# Schedule of Findings and Questioned Costs

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Year Ended June 30, 2012

## 12-II-R-3 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.

## Part III: Findings and Questioned Costs for Federal Awards

### Internal Control Deficiencies

#### All Programs Listed in the Schedule of Expenditures of Federal Awards

### 12-III-R-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 12-II-R-1 for additional information.

### Instances of Noncompliance

There were no instances of noncompliance reported.

## Part VI: Other Findings Related to Statutory Reporting

**12-IV-A Certified Budget** - Disbursements prior to amending the budget during the year ended June 30, 2012 exceeded the amounts budgeted in the General Government and Capital Projects functions. Additionally, disbursements as of June 30, 2012 exceeded the amounts budgeted in the Public Works, Culture and Recreation and General Government 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.

## Schedule of Findings and Questioned Costs

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Year Ended June 30, 2012

- 12-IV-B Questionable Disbursements** - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion.
- 12-IV-C Travel Expense** - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- 12-IV-D Business Transactions** - No business transactions between the City of Vinton and City officials which may appear to be conflicts of interest were noted.
- 12-IV-E 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.
- 12-IV-F Council Minutes**

**Finding** - We noted that checks approved by the Parks and Recreation Department were not published in the minutes the Parks and Recreation Board nor in the minutes of the City Council.

**Auditor's Recommendation** - The City should establish procedures to ensure that all checks approved by either the Parks and Recreation Board or the City Council are published as required by Chapter 372.13(6) of the Code of Iowa.

**City's Response** - This oversight occurred due to bank account changes during the year. We will publish the prior expenditures and implement procedures to insure all expenditures are properly published.

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

- 12-IV-G 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.
- 12-IV-H Revenue Bonds** - No instances of noncompliance with the revenue bonds were noted.
- 12-IV-I Financial Condition**

**Finding** - The Capital Projects - Flood Mitigation Fund had a deficit balance of \$47,653 at June 30, 2012. The Capital Projects - 2nd Avenue Water Main Replacement Fund had a deficit balance of \$7,403 at June 30, 2012.

**Auditor's Recommendation** - The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

**City's Response** - The deficit in the Flood Mitigation Fund was due to expenses incurred prior to receipt of a state grant. The deficit will be eliminated. There was a transfer of funds to cover the deficit in the 2nd Avenue Water Main Replacement Fund in fiscal year 2013.

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