

CITY OF VINTON
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-7
Management's Discussion and Analysis		8-11
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	14-15
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16-17
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Cash Basis Statement of Activities and Net Position	C	18
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D	19
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Cash Basis Statement of Activities and Net Position	E	20
Agency Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	F	21
Notes to Financial Statements		22-32
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds		34-35
Notes to Other Information - Budgetary Reporting		36
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	38-41
Schedule of Indebtedness	2	42-43
Bond and Note Maturities	3	44-45
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds	4	46-47
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 <u>Government Auditing Standards</u>		48-49
Schedule of Findings and Questioned Costs		50-56
Staff		57

**City of Vinton
Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
John R. Watson	Mayor	December 2013
Ron Hessenius	Council Member	December 2013
Bud Maynard	Council Member	December 2013
David Redlinger	Council Member	December 2013
F. Ronald Elwick	Council Member	December 2015
Chris Bendull	Council Member	December 2015
Tamara Stark	Council Member	December 2015
Cindy Michael	City Clerk	
Andrew Lent (Through Sept 2013)	City Coordinator	
Jeff Horne (Aug 2013)	City Coordinator	
Fischer Law Firm	City Attorney	
(After January 2014)		
John R. Watson	Mayor	December 2015
F. Ronald Elwick	Council Member	December 2015
Chris Bendull	Council Member	December 2015
Tamara Stark	Council Member	December 2015
Ron Hessenius	Council Member	December 2017
Bud Maynard	Council Member	December 2017
David Redlinger	Council Member	December 2017
Cindy Michael	City Clerk	
Jeff Horne (Through May 2014)	City Coordinator	
Chris Ward (May 2014)	City Administrator	
Fischer Law Firm	City Attorney	

City of Vinton

RFSW Ridihalgh Fuelling
Snitker Weber & Co.
C E R T I F I E D P U B L I C A C C O U N T A N T S

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Vinton, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above include only the primary government of the City, which consists of all funds, organizations, institutions, agencies, departments and office that comprise the City's legal entity, as well as, the Vinton Fireman's Association, which is a legal component unit. The financial statements do not include financial data for the City's legally separate component unit, Vinton Municipal Electric Utility, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City, as of June 30, 2014, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

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, each major fund, and the aggregate remaining fund information for the primary government of the City as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

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 third paragraph of this report, the financial statements for the year ended June 30, 2013 (which are not presented herein) and expressed an unmodified opinion on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements and supplemental data for the years ended June 30, 2004 through June 30, 2012 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the third paragraph of this report, who expressed unqualified opinions on those financial statements and supplemental data. The supplementary information included in Schedules 1 through 4, is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards;. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 8 through 11 and 34 through 36 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 6, 2014 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 in considering the City of Vinton's internal control over financial reporting and compliance.

Ridihalgh, Fuelling, Snitker, Weber & Co. P.C.

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C.

January 6, 2015

CITY OF VINTON

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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, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

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

Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances

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 non-major governmental funds and the City's indebtedness.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the City's Financial Activities

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

Governmental Activities are funded primarily through property tax, local option sales tax, road use tax and state and federal grants. Governmental Activities include the following:

Public Safety – includes police operations, fire protection, ambulance service, building inspections and animal control services

Public Works – includes roads, bridges and sidewalks, equipment replacement, street lighting, sanitation, traffic safety, snow removal and street cleaning

Health and Social Services – includes welfare assistance

Culture and Recreation – includes library services, parks, recreation, pool, and community center.

Community and Economic Development – includes economic development, housing rehab, and tax increment financing

General Government – includes mayor, city council, city clerk/treasurer, legal services, and city hall administrative and building needs

Debt Service – includes principal and interest payments for debt repayment

Capital Projects – major projects including street and infrastructure improvements.

Business Type Activities include the water, wastewater treatment, and landfill/recycling. These activities are financed primarily by user charges.

Fund Financial Statements - The City has two kinds of funds:

Governmental funds account for most of the City's basic services. These focus on how money flows in and out of those funds and the balances at year-end that are available for spending. The governmental funds include the General Fund, Special Revenue Funds such as Road Use Tax and Tax Increment Financing, the Debt Service Fund, the Capital Projects Fund, and 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.

Proprietary funds are also known as Business-Type funds. These funds, which include water, wastewater treatment and landfill/recycling services, are generally self-sufficient and are considered to be major funds of the City.

The required financial statements for Governmental and Proprietary Funds include statements 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 (Exhibit F). 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.

Basic Financial Statements

Part of the requirements of the Management Discussion and Analysis is to provide a brief discussion of the Basic Financial Statements included in this Report and the information they provide.

Statement of Activities and Net Position – Cash Basis (Exhibit A)

The first section of the statement presents the eight governmental **Functions / Programs**. *Disbursements* for each are listed in the first column, with *Charges for Service* and other receipts shown to the right. The result

is a Net (Disbursement) Receipts and Change in Cash Basis Net Position, which is helpful in determining the extent to which the programs support themselves.

The Next section lists **General Receipts**, including *Property Tax, Local Option Sales Tax Unrestricted Interest and Bond Proceeds*. These revenues are not listed in the first section because they are not generated from the direct operation of the functions/programs.

Finally, the report shows the net position end of year as \$5,539,554, compared to net position beginning of the year of \$6,706,934, a decrease of \$1,167,380.

Governmental Funds (Exhibit B)

The City maintains twenty seven funds under the "Governmental" classification. More detailed information on these nonmajor funds is included on the *Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Non-Major Governmental Funds* (Schedule 1).

Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Cash Basis Statement of Activities and Net Position – Governmental Funds (Exhibit C)

This reconciles any differences in the Cash Basis Net Position or the Cash Ending Balances from Exhibit A and Exhibit B. For Fiscal Year 2014, there were no differences in the Cash Basis Net Position or the Cash Ending Balances.

Statement of Cash Receipts, Disbursements and Changes in Cash Balances, Proprietary Funds (Exhibit D)

Proprietary Funds are used to report Business Type Activities (activities that are primarily self-supporting through service charges and user fees). The three proprietary funds for the City are the Water, Wastewater Treatment and Landfill/Recycling Funds.

Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Position – Proprietary Funds (Exhibit E)

This reconciles any differences in the Cash Basis Net Position or the Cash Ending Balances Exhibit A and Exhibit D. For Fiscal Year 2014, there were no differences in the Cash Basis Net Position or the Cash Ending Balances

2014 Financial Highlights

Receipts of the City's governmental activities slightly increased, 4.4% or approximately \$210,875 from fiscal year 2013 to fiscal year 2014. Property taxes increased approximately \$248,792. The intergovernmental receipts increased approximately \$315,671.

Disbursements of the City's governmental activities increased 42.7%, or approximately \$1,925,734, in fiscal year 2014 from fiscal year 2013. Public works disbursements increased approximately \$245,630, culture and recreation increased \$272,238 and capital projects increased \$1,310,694

The City's total cash basis net position decreased 18.2% or approximately \$1,167,380 from June 30, 2013 to June 30, 2014. Governmental activities decreased the most by approximately \$1,131,223 and business-type activities decreased by approximately \$36,157.

The City's financial statements also include activity from Vinton Fireman's Association, considered component unit of the City for audit purposes. Revenues from the component unit totaled \$258,354 and expenditures totaled \$216,526 for a net increase in cash balances of \$41,828.

Debt Administration

As of June 30, 2014, the City had \$4,983,201 in debt outstanding compared to \$5,775,193 in 2013.

Outstanding Debt at Year End June 30,	<u>2014</u>	<u>2013</u>
General obligation bonds and notes	\$4,925,000	\$5,695,000
Water Revenue Bonds	\$ 17,000	\$ 19,000
Rural Electric Cooperative Note	<u>\$ 41,201</u>	<u>\$ 61,193</u>
TOTAL	<u>\$4,983,201</u>	<u>\$5,775,193</u>
Loans from Vinton Municipal Electric Utility (Component Unit)	\$ 219,273	\$ 258,820

Of note, VMEU has approved an additional loan of \$300,000 to the City for a new dump truck and new fire truck.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$5,210,750 is below its constitutional debt limit of \$7,104,329.

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, Iowa 52349.

City of Vinton

Basic Financial Statements

City of Vinton

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2014

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants and Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 1,065,982	-	48,717	-
Public works	1,207,558	2,002	738,577	-
Health & Social Services	36,317	-	-	-
Culture and recreation	1,198,102	112,070	43,932	-
Community and economic development	60,274	-	180	-
General government	366,880	828	72,440	-
Debt service	969,349	-	2,281	-
Capital projects	1,529,453	-	358,732	-
Total governmental activities	6,433,915	114,900	1,264,859	-
Business type activities:				
Water	436,181	513,714	-	-
Sewer	380,997	534,817	-	-
Landfill	460,494	488,604	7,000	-
Total business type activities	1,277,672	1,537,135	7,000	-
Total	\$ 7,711,587	1,652,035	1,271,859	-

General Receipts:

Property tax levied for:
General purposes
Tax increment financing
Debt service
Local option sales tax
Unrestricted interest on investments
Miscellaneous
Transfers
Total general receipts and transfers
Change in cash basis net position
Cash basis net position beginning of year
Cash basis net position end of year

Cash Basis Net Position

Nonspendable
Restricted
Debt service
Streets
Local Option Sales Tax
Capital Projects
Urban Renewal
Other purposes
Unrestricted
Total cash basis net position

See notes to financial statements

Net (Disbursements) Receipts and
Changes in Cash Basis Net Position

Governmental Activities	Business Type Activities	Total
(1,017,265)	-	(1,017,265)
(466,979)	-	(466,979)
(36,317)	-	(36,317)
(1,042,100)	-	(1,042,100)
(60,094)	-	(60,094)
(293,612)	-	(293,612)
(967,068)	-	(967,068)
(1,170,721)	-	(1,170,721)
<u>(5,054,156)</u>	-	<u>(5,054,156)</u>
-	77,533	77,533
-	153,820	153,820
-	35,110	35,110
-	<u>266,463</u>	<u>266,463</u>
<u>(5,054,156)</u>	<u>266,463</u>	<u>(4,787,693)</u>
1,646,265	-	1,646,265
291,114	-	291,114
552,378	-	552,378
314,576	-	314,576
2,486	17,100	19,586
794,067	2,325	796,392
322,045	(322,045)	-
<u>3,922,931</u>	<u>(302,620)</u>	<u>3,620,311</u>
(1,131,225)	(36,157)	(1,167,382)
<u>5,664,908</u>	<u>1,042,026</u>	<u>6,706,934</u>
<u>4,533,683</u>	<u>1,005,869</u>	<u>5,539,552</u>
\$ 100,000		100,000
32,147	-	32,147
140,950	-	140,950
303,677	-	303,677
616,364	-	616,364
1,550,783	-	1,550,783
1,081,636	-	1,081,636
708,126	1,005,869	1,713,995
<u>\$ 4,533,683</u>	<u>1,005,869</u>	<u>5,539,552</u>

City of Vinton

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

As of and for the year ended June 30, 2014

	General	Special Revenue	Debt Service	Capital Project	
		Road Use Tax		Capital Project	West TIF #1
Receipts:					
Property tax	\$ 1,197,543	-	552,378	-	-
Other city tax	-	-	-	-	-
Tax Increment Financing	-	-	-	-	-
Licenses and permits	62,712	-	-	-	-
Use of money and property	72,882	-	2,281	1,474	982
Intergovernmental	227,512	525,187	-	45	336,296
Charges for service	114,900	-	-	-	-
Special assessment	-	-	16,709	-	-
Miscellaneous	493,219	-	-	-	-
Total receipts	2,168,768	525,187	571,368	1,519	337,278
Disbursements:					
Operating:					
Public safety	842,639	-	-	-	-
Public works	664,388	543,170	-	-	-
Health & Social Services	13,533	-	-	-	-
Culture and recreation	1,181,883	-	-	-	-
Community and economic development	6,000	-	-	-	-
General government	366,880	-	-	-	-
Debt service	-	-	969,349	-	-
Capital projects	-	-	-	1,428,432	77,889
Total disbursements	3,075,323	543,170	969,349	1,428,432	77,889
Excess of receipts over disbursements	(906,555)	(17,983)	(397,981)	(1,426,913)	259,389
Other financing sources (uses):					
Operating transfers in	1,095,941	-	427,154	-	145,000
Operating transfers out	(399,183)	(19,479)	-	-	-
Total other financing sources (uses)	696,758	(19,479)	427,154	-	145,000
Change in cash balances	(209,797)	(37,462)	29,173	(1,426,913)	404,389
Cash balances beginning of year	1,415,878	178,412	2,974	1,978,802	746,079
Cash balances end of year	\$ 1,206,081	140,950	32,147	551,889	1,150,468
Cash Basis Fund Balances					
Nonspendable	\$ -	-	-	-	-
Restricted					
Debt service	-	-	32,147	-	-
Streets	-	140,950	-	-	-
Local Option Sales Tax	-	-	-	-	-
Capital Projects	-	-	-	551,889	-
Urban Renewal	-	-	-	-	1,150,468
Other purposes	478,485	-	-	-	-
Unrestricted	727,596	-	-	-	-
Total cash basis fund balances	\$ 1,206,081	140,950	32,147	551,889	1,150,468

See notes to financial statements

Other Nonmajor Governmental Funds	Total
448,722	2,198,643
314,576	314,576
291,114	291,114
-	62,712
1,407	79,026
18,573	1,107,613
-	114,900
1,285	17,994
300,848	794,067
<u>1,376,525</u>	<u>4,980,645</u>
223,343	1,065,982
-	1,207,558
22,784	36,317
16,219	1,198,102
54,274	60,274
-	366,880
-	969,349
23,132	1,529,453
<u>339,752</u>	<u>6,433,915</u>
<u>1,036,773</u>	<u>(1,453,270)</u>
-	1,668,095
(927,388)	(1,346,050)
<u>(927,388)</u>	<u>322,045</u>
109,385	(1,131,225)
<u>1,342,763</u>	<u>5,664,908</u>
<u>1,452,148</u>	<u>4,533,683</u>
100,000	100,000
-	32,147
-	140,950
303,677	303,677
64,475	616,364
400,315	1,550,783
603,151	1,081,636
(19,470)	708,126
<u>1,452,148</u>	<u>4,533,683</u>

Exhibit C

City of Vinton

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Governmental Funds

As of and for the year ended June 30, 2014

Total governmental funds cash balances (page 18)	\$ 4,533,683
The city does not have an internal service fund. Therefore there are no reconciling items.	<u>-</u>
Cash basis net position of governmental activities (page 16)	<u>\$ 4,533,683</u>
Change in cash balances (page 18)	\$ (1,131,225)
The city does not have an internal service fund. Therefore there are no reconciling items.	<u>-</u>
Change in cash basis net position of governmental activities (page 16)	<u>\$ (1,131,225)</u>

See notes to financial statements

City of Vinton

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

As of and for the year ended June 30, 2014

	Water	Water Sinking Fund	Sewer	Landfill	Total
Operating receipts:					
Charges for service	\$ 513,714	-	534,817	488,604	1,537,135
Operating disbursements:					
Business type activities	433,563	-	380,997	460,494	1,275,054
Excess of operating receipts over operating disbursements	80,151	-	153,820	28,110	262,081
Non-operating receipts (disbursements)					
Use of money and property	15,851	58	1,029	162	17,100
Intergovernmental	-	-	-	7,000	7,000
Miscellaneous	1,391	-	659	275	2,325
Debt Service	-	(2,618)	-	-	(2,618)
Total non-operating receipts (disbursement)	17,242	(2,560)	1,688	7,437	23,807
Excess (deficiency) of receipts over (under) disbursements	97,393	(2,560)	155,508	35,547	285,888
Transfers in (out)	(151,339)	(8,428)	(137,278)	(25,000)	(322,045)
Change in cash balances	(53,946)	(10,988)	18,230	10,547	(36,157)
Cash balances beginning of year	118,800	31,547	751,484	140,195	1,042,026
Cash balances end of year	\$ 64,854	20,559	769,714	150,742	1,005,869
Cash Basis Fund Balances					
Unrestricted	64,854	20,559	769,714	150,742	1,005,869
Total cash basis fund balances	\$ 64,854	20,559	769,714	150,742	1,005,869

See notes to financial statements

Exhibit E

City of Vinton

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Proprietary Funds

As of and for the year ended June 30, 2014

Total enterprise funds cash balances (page 20)	\$ 1,005,869
The city does not have an internal service fund. Therefore there are no reconciling items.	<u>-</u>
Cash basis net position of business type activities (page 16)	<u>\$ 1,005,869</u>
Change in cash balances (page 20)	\$ (36,157)
The city does not have an internal service fund. Therefore there are no reconciling items.	<u>-</u>
Change in cash basis net position of business type activities (page 16)	<u>\$ (36,157)</u>

See notes to financial statements

City of Vinton

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

As of and for the year ended June 30, 2014

	Agency Funds
Receipts	
Deposits	\$ 37,912
Disbursements	
Refunds of deposits	<u>34,230</u>
Net Change in Cash Balances	3,682
Cash Balances - Beginning of Year	<u>89,374</u>
Cash Balances - End of Year	<u><u>\$ 93,056</u></u>

See notes to financial statements

City of Vinton

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

The City of Vinton 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 non-partisan 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 government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Vinton has included all funds, organizations, agencies, boards, commissions and authorities. 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 (the Primary Government), its blended component unit: the Vinton Fireman's Association, and excludes the City's component unit: Vinton Municipal Electric Utility. The audited financial statements for Vinton Municipal Electric Utility are available at the City Clerk's office.

Blended Component Unit

The Vinton Fireman's Association (Association) is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. The Association has been established pursuant to local ordinance to maintain and repair the fire station and fire fighting equipment for the mutual benefit of the citizens of the area which fire trucks and equipment are owned by the City. Although the Association is legally separate from the City, its purpose is to benefit the City of Vinton (the primary government) by providing the above services and by soliciting contributions and managing those funds.

Excluded Component Unit

Vinton Municipal Electric Utility (VMEU) is legally separate from the City, but has the potential to provide specific benefits to or impose specific burdens on the City. The Utility is governed by a five-member board appointed by the Mayor and approved by the City Council, and the Utility's budget is included with the City's budget approved by the City Council. However, since VMEU operates under the accrual method of accounting and the City operates under the cash basis of accounting, this component unit has not been presented in the accompanying financial statements. Complete financial statements for the year ended June 30, 2014 can be obtained from the City Clerk's office.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: 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.

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position 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 revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position are reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position result when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consist of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to have constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position 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 nonmajor governmental funds.

The City reports the following major governmental funds:

General Fund

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue

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

Debt Service

The Debt Service Fund is used to account for collection of property taxes levied for the payment of principal and interest on the City's general obligation bonds and notes.

Capital Projects

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those financed through proprietary funds.

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.

The City reports the following major proprietary funds:

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

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Landfill Fund accounts for the City's solid waste collection and disposal system.

The City also reports a fiduciary fund which focuses on net position and changes in net position. The City's fiduciary fund includes the following:

The Agency Funds are used to account for assets of the various utilities and airport funds for future reimbursement held by the City in a trustee capacity.

C. 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 U.S. generally accepted accounting principles.

Under the 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 position 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 non-operating 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 non-operating receipts and disbursements.

D. 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.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. At June 30, 2014 disbursements exceeded the amount budgeted in the culture and recreation and debt service functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's 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.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation capital loan notes and revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Water Revenue Bond		Rural Electric Cooperative Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 660,000	109,369	2,000	510	20,293	773	682,293	110,652
2016	685,000	97,719	2,000	450	20,908	364	707,908	98,533
2017	585,000	85,650	2,000	390	-	-	587,000	86,040
2018	615,000	73,686	2,000	330	-	-	617,000	74,016
2019	500,000	62,553	2,000	270	-	-	502,000	62,823
2020-2023	<u>1,880,000</u>	<u>138,039</u>	<u>7,000</u>	<u>720</u>	<u>-</u>	<u>-</u>	<u>1,887,000</u>	<u>138,759</u>
Total	\$ <u>4,925,000</u>	<u>567,016</u>	<u>17,000</u>	<u>2,670</u>	<u>41,201</u>	<u>1,137</u>	<u>4,983,201</u>	<u>570,823</u>

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

General Obligation Bonds

On March 11, 2013, the City issued \$2,000,000 in General Obligation Corporate Purpose Bond, Series 2013, for the purpose of paying the cost, to that extent, of constructing street, curb and gutter, storm sewer and water works improvements and the remediation, restoration repair, cleanup, replacement and improvement of property, buildings, equipment and public facilities damaged by a disaster. Interest rates are from .40% to 1.90%. The loan matures June 1 of each year starting June 1, 2014. Interest is payable December 1, 2013, and every June 1, and December

1, of each year thereafter. Principal is payable June 1, 2014 and annually on June 1, thereafter. Bonds are dated April 11, 2013, are in denominations of \$5,000 or integral multiples thereof. They are subject to prepayment prior to maturity. The City reserves the right to prepay part or all of the principal of the Bonds maturing in each of the years 2020 to 2023, inclusive, prior to and in any order of maturity on June 1, 2019, or on any date thereafter upon terms of par and accrued interest. Final payment is scheduled for 2023. For the current year principal and interest paid were \$185,000 and \$24,734 respectively. The balance at June 30, 2014 was \$1,815,000.

There is a General Obligation Street Improvement and Refunding Bond, Series 2012, for \$985,000, for the purpose of paying the costs, to that extent, of constructing street improvements and refunding the outstanding balance of the City's Water Revenue Improvement and Refunding Bonds, Series 2006. Interest rates are from .80% to 2.05%. Bonds are dated June 26, 2012, are in denominations of \$5,000 or integral multiples thereof. The City reserves the right to prepay part or all of the Bonds maturing in the years 2020 and 2022 prior to and in any order of maturity, on June 1, 2019, or on any date thereafter upon terms of par and accrued interest. For the current year principal and interest paid were \$210,000 and \$11,088 respectively. The balance at June 30, 2014 was \$645,000.

There is a General Obligation Refunding Bond Series 2011 with original balance of \$1,280,000. Interest rates are from 2.0% to 2.75%. Bonds are dated March 15, 2011, are in denominations of \$5,000 or integral multiples thereof. They are subject to prepayment prior to maturity. The City reserves the right to call and redeem part or all of the Bonds maturing in each of the years 2017 and 2018. For the current year principal and interest paid were \$210,000 and \$18,950 respectively. The balance at June 30, 2014 was \$665,000.

There is a General Obligation Corporate Purpose and Refunding Bond Series 2006 with original balance of \$2,875,000. Interest rates are from 4.13% to 4.30%. Bonds are dated August 1, 2006, are in denominations of \$5,000 or integral multiples thereof. They are subject to prepayment prior to maturity. The City reserves the right to prepay part or all of the Series 2006 Bonds maturing in each of the years 2016 to 2023. For the current year principal and interest paid were \$165,000 and \$82,943 respectively. The balance at June 30, 2014 was \$1,800,000.

Revenue Bonds

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. Interest rate is 3.00%. The bonds are payable solely from water customer net receipts and are payable through 2022. For the current year, principal and interest paid were \$2,000 and \$570 respectively. Balance at June 30, 2014 was \$17,000.

Rural Electric Cooperative Note

During the year ended June 30, 2006 East-Central Iowa Rural Electric Cooperative of Urbana, Iowa loaned \$200,000 to the City of Vinton under a Rural Economic Development Loan and Grant Program. This loan was used to assist in the financing of the new road to the high school. The first \$100,000 was interest free and the remaining was at 2%. For the current year, principal and interest paid were \$19,994 and \$1,075 respectively. The note payable balance was \$41,201 at June 30, 2014.

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. For the current year,

principal and interest paid were \$6,547 and \$1,048 respectively. The note payable balance was \$21,273 at June 30, 2014.

During the year ended June 30, 2011, the Utility loaned \$330,000 to help finance the purchase of Street Department equipment. For the current year, principal and interest paid were \$33,000 and \$5,569 respectively. The note payable balance was \$198,000 at June 30, 2014.

During the year ended June 30, 2014, the Utility agreed to a loan of \$300,000 to help finance the purchase of a new fire truck and new dump truck. As of June 30, 2014 no monies had been exchanged for this loan.

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 Sewer 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. No payments were made during the year ended June 30, 2014. The interfund loan balance was \$530,000 at June 30, 2014.

(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 regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2014, was \$135,118, equal to the required contributions for the year.

Council approved the contribution monthly to a ICMA 457B plan for the City Administrator. No payments were made to this plan for the year ended June 30, 2014.

(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 families. 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 65 would 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 City pays 75% of the difference between single and family rates. For the year

ended June 30, 2014, the City contributed \$331,444 and plan members eligible for benefits contributed \$50,518 to the plan.

(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 63½ 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. Any employee hired after July 1, 2011 is not eligible for this payout unless provided under collective bargaining agreement. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2014, primarily relating to the General Fund, is as follows:

<u>Type of benefit</u>	<u>Amount</u>
Comp Time	\$ 3,260
Vacation	50,990
Sick	<u>305,416</u>
Total	<u>\$ 359,666</u>

This liability has been computed based on rates of pay in effect at June 30, 2014.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund	Enterprise	
	Landfill	\$ 25,000
	Water	58,506
	Sewer	56,766
	Special Revenue	
	FICA	180,426
	Employee Benefit	294,334
	Capital Projects	
	2011 Windstorm	<u>34,626</u>
		<u>649,658</u>
General Fund Emergency	General	<u>32,368</u>
General Fund Library	General	185,580
	Special Revenue	
	LOST	14,373
	Enterprise	
	Sewer	177
	Water	<u>182</u>
		<u>200,312</u>
General Fund Fire	General	<u>71,776</u>
General Airport	General:	
	General	20,000
	Revolving	<u>121,826</u>
		<u>141,826</u>
Capital Project W TIF #1	Special Revenue	
	LOST	<u>145,000</u>
Capital Project Sidewalk	Special Revenue	
	Road Use Tax	<u>6,000</u>
Debt Service	Special Revenue	
	Road Use Tax	13,479
	SE TIF	37,476
	W TIF	101,505
	SW TIF	13,280
	LOST	80,000
	Enterprise	
	Sewer	45,334
	Water	<u>136,080</u>
		<u>427,154</u>
Enterprise Water	Enterprise	
	Sewer	<u>35,000</u>
Total		\$ <u>1,709,094</u>

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.

(9) Related Party Transactions

The City had business transactions between the City and City officials during the year ended June 30, 2014 totaling \$7,293.

Vinton Municipal Electric Utility (the Utility), a component unit of the City, a component unit of the City, 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 the construction of power lines. This joint venture is accounted for under the cost method. RPGI issues separate, audited, financial statements which are available upon request.

The Utility provides electrical service to various City departments and bills the City for that usage. The City provides meter reading, administration and accounting services to the Utility. The Utility pays one-half the salary of the Meter Reader and City Clerk, and contributes funds to cover the costs of employing one full time office employee at the City. As disclosed in Note 3, the City had outstanding loans due to the Utility at June 30, 2014.

Transactions between the Utility and the City and balances at year end are as follows:

	<u>2014</u>
Amounts billed to the City for electrical services	\$ 145,694
Amounts paid by the City for services	147,404
Payable to the Utility at year end for electric services	12,109
Note balance beginning of year	258,820
Amounts paid by the City for loan repayments	<u>39,547</u>
Note balance at year end	219,273
Amounts paid by the City for Interest on loans	6,617
Payments received by the City for services received	113,377
Payments received by the City in-lieu of taxes	62,000

For payroll reporting purposes, the Utility employees are classified as City employees. Payroll costs are transferred by the Utility to the City's bank account for payment to, or on behalf of, the employees.

Commercial insurance coverage is combined between the Utility and the City. The Utility pays its share of the premium directly to the insurer.

The Utility purchases electricity for resale from RPGI. Transactions with RPGI and balances at year end are as follows:

	2014
Electricity purchased	\$2,479,226
Cash payments to RPGI	2,465,408
Amounts due to RPGI	227,902

(10) Risk Management

The City and Vinton Municipal Electric Utility (VMEU), a component unit of the City, are exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except for distribution property and equipment of VMEU, 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. VMEU 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) Construction Contacts

At June 30, 2014, the City had remaining contract balances totaling \$1,173,513 for ongoing projects. Project costs will be paid as work on the unfinished projects progresses.

(12) Deficit Balance

The Capital Projects – Flood Mitigation Fund had a deficit balance of \$19,470 at June 30, 2014. 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 – Sidewalk Fund had a deficit balance of \$2,921 at June 30, 2014.

(13) Litigation

The City was not subject to any pending litigation during the year.

(14) Subsequent Event

On September 14, 2014 the City received \$300,000 loan from the Utility, as referenced in Note 3.

(15) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

Other Information

City of Vinton

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

Other Information

Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 2,198,643	-	-
Other city tax	314,576	-	-
Tax increment financing collections	291,114	-	-
Licenses and permits	62,712	7,000	-
Use of money and property	79,026	17,100	8
Intergovernmental	1,107,613	-	-
Charges for service	114,900	1,537,135	-
Special assessment	17,994	-	-
Miscellaneous	794,067	2,325	258,346
Total receipts	4,980,645	1,563,560	258,354
Disbursements:			
Public safety	1,065,982	-	216,526
Public works	1,207,558	-	-
Health & Social Services	36,317	-	-
Culture and recreation	1,198,102	-	-
Community and economic development	60,274	-	-
General government	366,880	-	-
Debt service	969,349	2,618	-
Capital projects	1,529,453	-	-
Business type activities	-	1,275,054	-
Total disbursements	6,433,915	1,277,672	216,526
Excess of receipts over disbursements	(1,453,270)	285,888	41,828
Other financing sources (uses), net	322,045	(322,045)	-
Excess of receipts and other financing sources over disbursements and other financing uses	(1,131,225)	(36,157)	41,828
Balances beginning of year	5,664,908	1,042,026	98,952
Balances end of year	\$ 4,533,683	1,005,869	140,780

Note: Budgeted amounts original and final as published include Discrete Component Unit - Vinton Municipal Electric Utility.

Charges for Services Revenue: \$4,930,337 and Business Type Activities Disbursements: \$5,623,338.

See accompanying independent auditor's report.

Net	Budgeted Amounts			Final to Net Variance
	Original	Final as published	Final City Portion	
2,198,643	2,171,852	2,171,852	2,171,852	26,791
314,576	360,343	360,343	360,343	(45,767)
291,114	300,612	300,612	300,612	(9,498)
69,712	82,125	82,125	82,125	(12,413)
96,118	69,000	69,000	69,000	27,118
1,107,613	1,643,770	1,643,770	1,643,770	(536,157)
1,652,035	6,757,260	6,757,260	1,826,923	(174,888)
17,994	20,000	20,000	20,000	(2,006)
538,046	46,360	46,360	46,360	491,686
<u>6,285,851</u>	<u>11,451,322</u>	<u>11,451,322</u>	<u>6,520,985</u>	<u>(235,134)</u>
849,456	981,732	981,732	981,732	132,276
1,207,558	934,249	1,299,249	1,299,249	91,691
36,317	27,696	37,696	37,696	1,379
1,198,102	879,541	1,129,541	1,129,541	(68,561)
60,274	74,264	84,264	84,264	23,990
366,880	436,289	436,289	436,289	69,409
971,967	762,749	762,749	762,749	(209,218)
1,529,453	2,235,304	2,235,304	2,235,304	705,851
1,275,054	7,102,691	7,102,691	1,479,353	204,299
<u>7,495,061</u>	<u>13,434,515</u>	<u>14,069,515</u>	<u>8,446,177</u>	<u>951,116</u>
(1,209,210)	(1,983,193)	(2,618,193)	(1,925,192)	715,982
-	-	-	-	-
(1,209,210)	(1,983,193)	(2,618,193)	(1,925,192)	715,982
<u>6,607,982</u>	<u>7,973,213</u>	<u>7,973,213</u>	<u>7,973,213</u>	<u>(1,365,231)</u>
<u>5,398,772</u>	<u>5,990,020</u>	<u>5,355,020</u>	<u>6,048,021</u>	<u>(649,249)</u>

City of Vinton

Notes to Other Information – Budgetary Reporting

June 30, 2014

The budgetary comparison is presented 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.

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 the Internal Service Funds. The annual budget may be amended during the year utilizing statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. 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 Fund, Capital Projects Funds, and the 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, a budget amendment increased budgeted disbursements by \$635,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the Culture and Recreation and Debt Service functions.

Supplement ary Information

City of Vinton

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

As of and for the year ended June 30, 2014

	Special Revenue						
	FICA & IPERS	Employee Benefits	LOST	NW TIF	SE TIF	West TIF #1	SW TIF
Receipts:							
Property tax	\$ 171,115	277,607	-	-	-	-	-
Other city tax	-	-	314,576	-	-	-	-
Tax increment financing	-	-	-	-	47,776	181,171	13,532
Use of money and property	-	-	414	93	60	130	1
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Special Assessment	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Total receipts	171,115	277,607	314,990	93	47,836	181,301	13,533
Disbursements:							
Operating:							
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Health & social services	-	-	22,784	-	-	-	-
Culture and recreation	-	-	16,219	-	-	-	-
Community and economic developme	-	-	17,544	-	-	-	-
General government	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-
Total disbursements	-	-	56,547	-	-	-	-
Excess (deficiency) of receipts over (under) disbursements	171,115	277,607	258,443	93	47,836	181,301	13,533
Other financing sources:							
Operating transfers in (out)	(180,426)	(294,334)	(239,373)	-	(37,476)	(101,505)	(13,280)
Change in cash balances	(9,311)	(16,727)	19,070	93	10,360	79,796	253
Cash balances beginning of year	15,606	58,880	284,607	68,910	44,226	61,862	1,530
Cash balances end of year	\$ 6,295	42,153	303,677	69,003	54,586	141,658	1,783
Cash Basis Fund Balances							
Nonspendable	\$ -	-	-	-	-	-	-
Restricted							
Debt service	-	-	-	-	-	-	-
Streets	-	-	-	-	-	-	-
Local Option Sales Tax	-	-	303,677	-	-	-	-
Capital Projects	-	-	-	-	-	-	-
Urban Renewal	-	-	-	69,003	54,586	141,658	1,783
Other purposes	6,295	42,153	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	-
Total cash basis fund balances	\$ 6,295	42,153	303,677	69,003	54,586	141,658	1,783

See accompanying independent auditor's report

Special Revenue				
Downtown #1 TIF	West #2 TIF	Police Training Program	Asset Forfeiture	Tobin Trust
-	-	-	-	-
-	-	-	-	-
-	48,635	-	-	-
12	102	-	330	-
-	-	-	-	-
-	-	-	-	-
-	-	-	38,881	-
12	48,737	-	39,211	-
-	-	(20)	6,837	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	(20)	6,837	-
12	48,737	20	32,374	-
-	-	-	-	-
12	48,737	20	32,374	-
13,240	71,296	3,449	226,936	100,000
13,252	120,033	3,469	259,310	100,000
-	-	-	-	100,000
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
13,252	120,033	-	-	-
-	-	3,469	259,310	-
-	-	-	-	-
13,252	120,033	3,469	259,310	100,000

	Special Revenue		Capital Projects			
	Housing	Vinton Fireman's Association	Tree	NW TIF	SW TIF	Flood Mitigation
Receipts:						
Property tax	-	-	-	-	-	-
Other city tax	-	-	-	-	-	-
Tax increment financing	-	-	-	-	-	-
Use of money and property	180	8	-	7	14	-
Intergovernmental	-	-	-	-	-	18,573
Charges for services	-	-	-	-	-	-
Special Assessment	-	-	-	-	-	-
Miscellaneous	1,621	258,346	2,000	-	-	-
Total receipts	1,801	258,354	2,000	7	14	18,573
Disbursements:						
Operating:						
Public safety	-	216,526	-	-	-	-
Public works	-	-	-	-	-	-
Health & social services	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Community and economic developme	36,730	-	-	-	-	-
General government	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital projects	-	-	12,650	-	-	-
Total disbursements	36,730	216,526	12,650	-	-	-
Excess (deficiency) of receipts over (under) disbursements	(34,929)	41,828	(10,650)	7	14	18,573
Other financing sources:						
Operating transfers in (out)	-	-	-	-	-	-
Change in cash balances	(34,929)	41,828	(10,650)	7	14	18,573
Cash balances beginning of year	186,073	98,952	18,094	5,253	12,726	(38,043)
Cash balances end of year	151,144	140,780	7,444	5,260	12,740	(19,470)
Cash Basis Fund Balances						
Nonspendable	-	-	-	-	-	-
Expendable	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Streets	-	-	-	-	-	-
Local Option Sales Tax	-	-	-	-	-	-
Capital Projects	-	-	7,444	5,260	12,740	-
Urban Renewal	-	-	-	-	-	-
Other purposes	151,144	140,780	-	-	-	-
Unrestricted	-	-	-	-	-	(19,470)
Total cash basis fund balances	151,144	140,780	7,444	5,260	12,740	(19,470)

See accompanying independent auditor's report

Capital Projects				
Jul-11 Windstorm	Sidewalk	SAFETEA-LU	Downtown Improvement	Total
-	-	-	-	448,722
-	-	-	-	314,576
-	-	-	-	291,114
-	-	56	-	1,407
-	-	-	-	18,573
-	-	-	-	-
-	1,285	-	-	1,285
-	-	-	-	300,848
-	1,285	56	-	1,376,525
-	-	-	-	223,343
-	-	-	-	-
-	-	-	-	22,784
-	-	-	-	16,219
-	-	-	-	54,274
-	-	-	-	-
-	-	-	-	-
-	10,482	-	-	23,132
-	10,482	-	-	339,752
-	(9,197)	56	-	1,036,773
(66,994)	6,000	-	-	(927,388)
(66,994)	(3,197)	56	-	109,385
66,994	276	41,845	51	1,342,763
-	(2,921)	41,901	51	1,452,148
-	-	-	-	100,000
-	-	-	-	-
-	-	-	-	-
-	-	-	-	303,677
-	(2,921)	41,901	51	64,475
-	-	-	-	400,315
-	-	-	-	603,151
-	-	-	-	(19,470)
-	(2,921)	41,901	51	1,452,148

City of Vinton
Schedule of Indebtedness
Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds/Notes:			
Corporate Purpose Bonds Series 2013	March 11, 2013	1.379%	\$ 2,000,000
Corporate Purpose and Refunding Series 2012	June 26, 2012	.08-2.05%	985,000
Corporate Purpose and Refunding Series 2011	March 15, 2011	2.00-2.75%	1,280,000
Corporate Purpose and Refunding Series 2006	August 1, 2006	4.13-4.30%	2,875,000
Total			
Water Revenue Bonds:			
2002 Issue	October 8, 2002	3.00%	40,000
Nonbonded Indebtedness			
Rural Electric Cooperative	June 29, 2006	2.00%	200,000
Vinton Municipal Electric Utility (Component Unit)			
Street Department Equipment	July 8, 2010	2.50%	330,000
Aerial Truck	June 1, 2007	4.00%	62,098

The council has approved a \$300,000 loan from Vinton Municipal Electric Utility. As of June 30, 2014 the City had not received these monies.

See accompanying independent auditor's report

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
2,000,000		185,000	1,815,000	24,734	-
855,000	-	210,000	645,000	11,088	-
875,000	-	210,000	665,000	18,950	-
1,965,000	-	165,000	1,800,000	82,943	-
<u>\$ 5,695,000</u>	<u>-</u>	<u>770,000</u>	<u>4,925,000</u>	<u>137,715</u>	<u>-</u>
19,000	-	2,000	17,000	570	-
61,193	-	19,992	41,201	1,075	-
231,000	-	33,000	198,000	5,569	-
27,820	-	6,547	21,273	1,048	-
<u>258,820</u>	<u>-</u>	<u>39,547</u>	<u>219,273</u>	<u>6,617</u>	<u>-</u>

City of Vinton
 Bond and Note Maturities
 June 30, 2014

Year Ending June 30,	General Obligation					
	Corporate Purpose		Corporate Purpose and Refunding		Corporate Purpose and Refunding	
	Series 2013		Series 2012		Series 2011	
	Issued March 11, 2013	Issued June 26, 2012	Issued March 15, 2011	Interest Rates	Amount	Interest Rates
2015	0.50%	190,000	0.80%	75,000	2.00%	215,000
2016	0.60%	195,000	0.80%	75,000	2.00%	220,000
2017	0.75%	195,000	1.25%	80,000	2.50%	110,000
2018	0.90%	200,000	1.25%	80,000	2.75%	120,000
2019	1.10%	200,000	1.65%	80,000		
2020	1.30%	205,000	1.65%	85,000		
2021	1.50%	205,000	2.05%	85,000		
2022	1.70%	210,000	2.05%	85,000		
2023	1.90%	215,000				
		<u>\$ 1,815,000</u>		<u>645,000</u>		<u>665,000</u>

Schedule 3

<u>Corporate Purpose and Refunding Series 2006 Issued August 1, 2006</u>			<u>Revenue Bond Water Revenue Bond Issued October 8, 2002</u>		<u>Rural Electric Note East-Central Iowa Rural Cooperative Issued June 29, 2006</u>	
<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
4.13%	180,000	660,000	3.00%	2,000	2.00%	20,293
4.13%	195,000	685,000	3.00%	2,000	2.00%	20,908
4.25%	200,000	585,000	3.00%	2,000		
4.25%	215,000	615,000	3.00%	2,000		
4.25%	220,000	500,000	3.00%	2,000		
4.25%	195,000	485,000	3.00%	2,000		
4.25%	205,000	495,000	3.00%	2,000		
4.25%	180,000	475,000	3.00%	3,000		
4.30%	210,000	425,000				
	<u>1,800,000</u>	<u>\$4,925,000</u>		<u>\$17,000</u>		<u>\$ 41,201</u>

City of Vinton

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

Years Ended June 30, 2008 through 2014

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Receipts:				
Property tax	\$ 2,198,643	1,949,851	1,906,380	1,741,198
Other city tax	314,576	350,590	317,234	305,162
Tax increment financing	291,114	196,806	219,463	193,539
Licenses and permits	62,712	59,861	74,082	62,757
Use of money and property	79,026	69,556	41,092	26,479
Intergovernmental	1,107,613	791,942	1,427,033	1,579,660
Charges for service	114,900	119,533	449,486	681,110
Special assessments	17,994	19,785	22,118	18,276
Miscellaneous	794,067	1,211,848	109,281	140,222
Total	<u>\$ 4,980,645</u>	<u>4,769,772</u>	<u>4,566,169</u>	<u>4,748,403</u>
Disbursements:				
Operating:				
Public safety	\$ 1,065,982	1,166,782	876,443	800,008
Public works	1,207,558	961,928	1,096,695	803,130
Health & Social Services	36,317	15,898	30,978	31,986
Culture and recreation	1,198,102	925,864	913,989	893,606
Community and economic development	60,274	49,489	31,893	25,087
General government	366,880	422,523	722,020	428,031
Debt service	969,349	746,938	530,570	1,840,112
Capital projects	1,529,453	218,759	549,496	1,022,695
Total	<u>\$ 6,433,915</u>	<u>4,508,181</u>	<u>4,752,084</u>	<u>5,844,655</u>

See accompanying independent auditor's report

<u>2010</u>	<u>2009</u>	<u>2008</u>
1,660,159	1,537,888	1,526,739
325,196	234,030	-
235,937	280,711	269,535
55,805	66,077	63,122
18,614	28,533	70,180
1,915,116	1,505,360	991,497
592,712	620,404	657,860
24,983	22,596	34,916
145,487	225,865	92,792
<u>4,974,009</u>	<u>4,521,464</u>	<u>3,706,641</u>
906,850	887,273	752,390
1,380,414	808,293	710,570
20,355	14,842	12,585
931,478	798,952	709,141
374,213	19,954	16,423
453,244	426,648	397,033
616,038	622,876	652,727
1,835,677	634,942	1,406,539
<u>6,518,269</u>	<u>4,213,780</u>	<u>4,657,408</u>

RFSW Ridihalgh Fuelling
Snitker Weber & Co.
C E R T I F I E D P U B L I C A C C O U N T A N T S

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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

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Vinton, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 6, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Vinton's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Vinton's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Vinton's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

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 deficiencies in internal

control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-14 and II-E-14 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 deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-14, II-C-14, II-D-14, II-F-14, II-G-14 and II-H-14 to be significant deficiencies.

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, non-compliance 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 non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III 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, 2014 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.

City of Vinton's Responses to Findings

The City of Vinton's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Vinton's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other persons.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Vinton during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Ridihalgh, Fuelling, Snitker, Weber & Co. P.C.

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C., CPA'S

January 6, 2015

City of Vinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

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

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The City of Vinton did not expend in excess of the OMB A-133 Single Audit dollar threshold of \$500,000 for the year ended June 30, 2014.

City of Vinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- II-A-14 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – Segregation of duties is controlled as much as possible considering the limited number of employees.

Conclusion – Response acknowledged.

- II-B-14 Preparation of Financial Statements – The City of Vinton, Iowa employs an accounting staff with the ability to prepare its financial statements (including footnote disclosures) in conformity with accounting principles general accepted in the United States of America, but the staff does not have the training or reference materials available to draft the footnotes to the financial statements; therefore, it relies on its auditors to prepare such statements.

Response – Management relies on the auditors' expertise to draft the financial statements and to monitor reporting requirements. The draft financial statements are approved prior to their issuance.

Conclusion – Response acknowledged.

- II-C-14 Transfers – The City has a policy of approving all transfers between funds through the budget process. However, we noted several instances where amounts actually transferred were not approved in the budget. We noted several instances where amounts approved in the budget were not transferred. We also noted transfers recorded as transfers that were not actually transfers and should have been revenue or expenditures.

Recommendation – We recommend the City review all transfers needing to be made and approve them on an individual monthly basis by resolution.

Response – We will do this.

Conclusion – Response acknowledged.

- II-D-14 Timesheets – The City has a policy of all non-salaried employees preparing timesheets for approval for payroll. Currently salaried employees do not

City of Vinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

prepare timesheets. Currently department heads timesheets are not approved by anyone.

Recommendation – The City should implement a policy that all City employees prepare timesheets and that all timesheets are approved by the department head or mayor.

Response – The City will consider this.

Conclusion – Response acknowledged.

- II-E-14 Water Utility Rates – Chapter 92.02 of the City’s Code of Ordinances states that the water rates. It states that the first 1,000 cubic feet per month are charged at \$2.00 per 100 cubic feet. During our audit last year we discovered that the City is not billing customers for the first 20 cubic feet of usage. This error in billing was carried over into the current audit year.

The mistake in billing was attempted to be corrected, however was incorrectly done. This error resulted in all cubic feet being billed but at a lower rate than the ordinance. The system was property updated and corrected on March 31, 2014.

Recommendation – The City should review their billing system rates to make sure they are in compliance with the City Ordinance. If the City wishes to change the rates, they should amend the Ordinance. We recommend the City tests their bills with the ordinance to make sure they are being calculated correctly.

Response – This oversight has now been corrected.

Conclusion – Response acknowledged.

- II-F-14 Inter-fund Loan Amortization Schedules - During our audit the City was unable to produce amortization schedules in regard to the inter-fund loans as they apply to TIF district certification, requests and collections.

Recommendation – The City should be tracking amounts owed between funds and also amounts of TIF certified, requested and received.

Response - The City will begin to track TIF requests and receipts as they apply to the inter-fund loans.

Conclusion - Response acknowledged.

- II-G-14 Invoice Documentation – During our audit we noted that the Park and Recreation invoices are not kept at City Hall after they are paid.

City of Vinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Recommendation – The City should retain these invoices at City Hall as they do all the other invoices paid with City funds.

Response – The City will consider this.

Conclusion – Response acknowledged.

- II-H-14 Arbitrage, Yield Restrictions and Rebate Requirement – During our audit we noted that the City had no established written procedures to monitor compliance with the arbitrage, yield restrictions and rebate requirements under Section 148 of the Federal Internal Revenue Service rules.

Recommendation - The City should establish written procedures to monitor this compliance.

Response – The City will consider this.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Other Findings Related to Statutory Reporting:

- III-A-14 Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amount budgeted in the culture and recreation, and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

In addition to disbursements being over budget at June 30, 2014, prior to amendment at April 30, 2014, disbursements exceeded the amount originally budgeted in the public works, health and social services, and culture and recreation functions.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended before disbursements are allowed to exceed it in the future in accordance with Chapter 348.18 of the Code of Iowa.

Conclusion – Response acknowledged.

- III-B-14 Questionable Disbursements – There were no disbursements noted that do not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

City of Vinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

- III-C-14 Travel Expense – Certain travel disbursements made by the City we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

It was noted during the audit that the City is currently reimbursing three employees for income tax paid on a deemed benefit from overnight usage of City vehicles.

It was also noted during the audit that the City is reimbursing a flat dollar amount to two Park & Recreation employees for the use of their personal vehicles, which there is not a policy for.

Recommendation – The City should have a policy or resolution in place stating the value of the benefit and the procedures to be followed for this deemed taxable benefit and for the flat reimbursement.

Response – The City will consider this.

Conclusion – Response acknowledged.

- III-D-14 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Ron Elwick, City Council Member Elwick Electric	Electric Services	\$ 7,293

The above transaction presents a conflict of interest in accordance with Chapter 362.5(11) of the Code of Iowa. Total transactions exceeded \$2,500 during the year and the City did not bid any of the transactions.

Recommendation – The City should comply with Chapter 362.5 of the Code of Iowa and bid any transactions exceeding the limits.

Response – We will comply with the Code of Iowa for related business transactions.

Conclusion – Response *acknowledged*.

- III-E-14 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 insure that the coverage is adequate for current operations.

- III-F-14 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

City of Vinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

III-G-14 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

III-H-14 Payment of General Obligation Bonds – The City properly paid for its General Obligation bonds out of the debt service fund.

III-I-14 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.

III-J-14 Financial Condition – The Capital Projects – Flood Mitigation Fund had a deficit balance of \$19,470 at June 30, 2014. The Capital Projects – Sidewalk Fund had a deficit balance of \$2,921 at June 30, 2014.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return this fund to a sound financial position.

Response – The deficit balance in the Flood Mitigation Fund was due to expenses incurred prior to receipt of a state grant. The deficits will be eliminated in both funds.

Conclusion – Response acknowledged.

III-K-14 Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid.

During our audit we found that the Downtown TIF #1 project is completed and that the City certified a reduction in amount. TIF collections remaining after an urban renewal area is not active are to be returned to the County Treasurer as required by Chapter 24.21 of the Code of Iowa.

Recommendation – The City should return the funds in Downtown TIF #1 to the County Treasurer to comply with Chapter 24.21 of the Code of Iowa.

Response – The City will investigate and return the funds if so required by Chapter 24.21 of the Code of Iowa.

Conclusion – Response acknowledged.

III-L-14 Urban Renewal Annual Report – The urban renewal annual report was approved and was certified to the Iowa Department of Management on or before December 1.

City of Vinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Amounts reported in the Annual Urban Renewal Report that was filed does not reconcile to the City's books.

Recommendation – The City should ensure amounts on the Annual Urban Renewal Report reconciles to the numbers from the City's books to the report prior to being filed.

Response – The City will make sure this report is reconciles to book values going forward.

Conclusion – Response acknowledged.

City of Vinton

Staff

This audit was performed by:

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