

NEW ISSUE - DTC BOOK ENTRY ONLY

NON-RATED

*In the opinion of Dorsey & Whitney LLP, Bond Counsel, according to present laws, rulings and decisions and assuming compliance with certain covenants, the interest on the Bonds will be excluded from gross income for federal income tax purposes. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax under the Internal Revenue Code of 1986 (the "Code"). In the opinion of Bond Counsel, the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. See "TAX EXEMPTION AND RELATED TAX MATTERS" herein.*

**\$4,070,000\***

**City of Vinton, Iowa  
General Obligation Corporate Purpose Bonds,  
Series 2020A**

**Dated:** Date of Delivery**Due:** As shown on inside cover

The \$4,070,000\* General Obligation Corporate Purpose Bonds, Series 2020A (the "Bonds"), are being issued in fully registered form in denominations of \$5,000 or any integral multiple thereof pursuant to the provisions of Chapters 384 and 76 of the Code of Iowa, 2019, as amended and a resolution authorizing issuance of the Bonds (the "Resolution") expected to be adopted by the City of Vinton, Iowa (the "Issuer" or the "City") on June 25, 2020\*. The Depository Trust Company, New York, New York ("DTC") will act as the securities depository for the Bonds and its nominee, Cede & Co., will be the registered owner of the Bonds. Individual purchases of the Bonds will be recorded on a book-entry only system operated by DTC. Purchasers of the Bonds will not receive certificates representing their interest in the Bonds purchased. So long as DTC or its nominee, Cede & Co., is the Bondholder, the principal of, premium, if any, and interest on the Bonds will be paid by UMB Bank, n.a., West Des Moines, Iowa, as Registrar and Paying Agent (the "Registrar"), or its successor, to DTC, or its nominee, Cede & Co. Disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants as more fully described herein. Neither the Issuer nor the Registrar will have any responsibility or obligation to such DTC Participants, indirect participants or the persons for whom they act as nominee with respect to the Bonds. See "APPENDIX E – BOOK-ENTRY SYSTEM" herein.

The Bonds will bear interest from their dated date, payable semiannually on each June 1 and December 1, commencing December 1, 2020\*. The Bonds are subject to redemption by the Issuer prior to their stated maturities in the manner and at the time described herein. All of the Bonds then outstanding are subject to redemption at the option of the Issuer, as a whole or in part, from any source of available funds, on June 1, 2027\*, or on any date thereafter at a redemption price equal to the principal amount of the Bonds, together with accrued interest to the date fixed for redemption, without premium. See "THE BONDS – Redemption" herein.

The Bonds and the interest thereon are general obligations of the Issuer, and all taxable property within the corporate boundaries of the Issuer is subject to the levy of taxes to pay the principal of and interest on the Bonds without constitutional or statutory limitation as to rate or amount. See "SECURITY AND SOURCE OF PAYMENT" herein.

Proceeds of the Bonds will be used to provide funds for paying the cost of financing improvements to streets and the acquisition of equipment for the street department, of paying the cost of financing improvements to the South Trail, and paying certain costs of issuance related to the Bonds. See "PLAN OF FINANCING" herein.

The Bonds are being offered when, as and if issued by the Issuer and accepted by the Underwriter, subject to receipt of an opinion as to legality, validity and tax exemption by Dorsey & Whitney LLP, Des Moines, Iowa, Bond Counsel. Dorsey & Whitney LLP is also serving as Disclosure Counsel to the Issuer in connection with the issuance of the Bonds. It is expected that the Bonds in the definitive form will be available for delivery through the facilities of DTC on or about July 15, 2020\*.

The Date of this Official Statement is June \_\_, 2020

\* Preliminary, subject to change

**\$4,070,000\***  
**City of Vinton, Iowa**  
**General Obligation Corporate Purpose Bonds,**  
**Series 2020A**

**MATURITY SCHEDULE**

<u>Due</u>	<u>Amount</u> *	<u>Rate</u> *	<u>Yield</u> *	<u>Cusip Num.</u> **
June 1, 2022	\$265,000			
June 1, 2023	\$270,000			
June 1, 2024	\$270,000			
June 1, 2025	\$275,000			
June 1, 2026	\$280,000			
June 1, 2027	\$280,000			
June 1, 2028	\$285,000			
June 1, 2029	\$290,000			
June 1, 2030	\$295,000			
June 1, 2031	\$300,000			
June 1, 2032	\$305,000			
June 1, 2033	\$310,000			
June 1, 2034	\$320,000			
June 1, 2035	\$325,000			

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\* Preliminary, subject to change.

\*\* CUSIP numbers shown above have been assigned by a separate organization not affiliated with the Issuer. The Issuer has not selected nor is responsible for selecting the CUSIP numbers assigned to the Bonds nor do they make any representation as to the correctness of such CUSIP numbers on the Bonds or as indicated above.

No dealer, broker, salesman or any other person has been authorized to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such information or representations must not be relied upon as having been authorized by the Issuer or the Underwriter. This Official Statement does not constitute an offer to sell or a solicitation of any offer to buy any of the securities offered hereby in any state to any persons to whom it is unlawful to make such offer in such state. Except where otherwise indicated, this Official Statement speaks as of the date hereof. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer since the date hereof.

The information set forth herein has been obtained from the Issuer and from other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriter. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

No representation is made regarding whether the Bonds constitute legal investments under the laws of any state for banks, savings banks, savings and loan associations, life insurance companies, and other institutions organized in such state, or fiduciaries subject to the laws of such state.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION BY REASON OF THE PROVISIONS OF SECTION 3(a)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED. THE REGISTRATION OR QUALIFICATIONS OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES ATTACHED HERETO, CONTAINS STATEMENTS WHICH SHOULD BE CONSIDERED “FORWARD-LOOKING STATEMENTS,” MEANING THEY REFER TO POSSIBLE FUTURE EVENTS OR CONDITIONS. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY THE WORDS SUCH AS “ANTICIPATED,” “PLAN,” “EXPECT,” “PROJECTED,” “ESTIMATE,” “BUDGET,” “PRO FORMA,” “FORECAST,” “INTEND,” OR OTHER WORDS OF SIMILAR IMPORT. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS TO DIFFER FROM THOSE EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE ISSUER DOES NOT EXPECT OR INTEND TO UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENTS CONTAINED HEREIN IF OR WHEN ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

In connection with the issuance of the Bonds, the Issuer will enter into a Continuing Disclosure Certificate. See “APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

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## OFFICIAL STATEMENT

**\$4,070,000\***  
**City of Vinton, Iowa**  
**General Obligation Corporate Purpose Bonds,**  
**Series 2020A**

### INTRODUCTION

The purpose of this Official Statement, including the cover page and the appendices hereto (the “Official Statement”), is to set forth certain information in conjunction with the sale of \$4,070,000\* General Obligation Corporate Purpose Bonds, Series 2020A (the “Bonds”), of the City of Vinton, Iowa (the “Issuer” or the “City”). This Introduction is not a summary of this Official Statement, but is only a brief description of the Bonds and certain other matters. Such description is qualified by reference to the entire Official Statement and the documents summarized or described herein. This Official Statement should be reviewed in its entirety. The offering of the Bonds to potential investors is made only by means of the entire Official Statement, including the appendices attached hereto. All statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Copies of statutes, resolutions, ordinances, reports or other documents referred to herein are available, upon request, from the Issuer.

The Bonds are being issued pursuant to the provisions of Chapters 384 and 76 of the Code of Iowa, 2019, as amended (collectively, the “Act”) and a Resolution expected to be adopted by the Issuer on June 25, 2020\* (the “Resolution”), to evidence the obligations of the Issuer under a Loan Agreement between the Issuer and the Underwriter.

The Bonds and the interest thereon are general obligations of the Issuer, and all taxable property within the corporate boundaries of the Issuer is subject to the levy of taxes to pay the principal of and interest on the Bonds without constitutional or statutory limitation as to rate or amount. See “SECURITY AND SOURCE OF PAYMENT” herein.

Proceeds of the Bonds will be used to provide funds for paying the cost of financing improvements to streets and the acquisition of equipment for the street department, of paying the cost of financing improvements to the South Trail, and paying certain costs of issuance related to the Bonds. See “PLAN OF FINANCING” and “SOURCES AND USES OF FUNDS” herein.

### THE ISSUER

The Issuer, with a 2010 U.S. Census population of 5,257, comprises approximately 4.83 square miles. The Issuer operates under a statutory form of government consisting of a six-member City Council, of which the Mayor is not a voting member. Additional information concerning the Issuer is included in “APPENDIX A – INFORMATION ABOUT THE ISSUER” hereto.

### THE BONDS

#### General

The Bonds will be issued in fully registered form only, without coupons. The Bonds will be initially registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Bonds. Interest on and principal of the Bonds are payable in lawful money of the United States of America.

The Bonds are dated as of the date of their delivery, will mature on June 1 in the years and in the amounts set forth on the inside cover page hereof, and will bear interest at the rates to be set forth on the inside cover page hereof. Interest on the Bonds is payable semiannually on June 1 and December 1 in each year, beginning on December 1, 2020\*, calculated on the basis of a year of 360 days and twelve 30-day months. Interest shall be payable to the persons who were registered owners thereof as of the fifteenth day of the month immediately preceding the interest payment date, to the addresses appearing on the registration books maintained by the Registrar or such other address as is furnished to the Registrar in writing by a registered owner. The Bonds are issuable in denominations of \$5,000 or any integral multiple thereof.

#### Redemption

Optional Redemption. All of the Bonds then outstanding are subject to redemption at the option of the Issuer, as a whole or in part, from any source of available funds, beginning June 1, 2027\*, or on any date thereafter at a redemption price equal to the principal amount of the Bonds, together with accrued interest to the date fixed for redemption, without premium.

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\* Preliminary, subject to change.

**Selection of Bonds for Redemption.** Bonds subject to redemption will be selected in such order of maturity as the Issuer may direct. If less than all of the Bonds of a single maturity are to be redeemed, the Bonds to be redeemed will be selected by lot or other random method by the Registrar in such a manner as the Registrar may determine.

**Notice of Redemption.** Prior to the redemption of any Bonds under the provisions of the Resolution, the Registrar shall give notice by certified mail or electronic means not less than thirty (30) days prior to the redemption date to each registered owner thereof.

## **SECURITY AND SOURCE OF PAYMENT**

### **General**

Pursuant to the Resolution and the Act, the Bonds and the interest thereon are general obligations of the Issuer, and all taxable property within the corporate boundaries of the Issuer is subject to the levy of taxes to pay the principal of and interest on the Bonds without constitutional or statutory limitation as to rate or amount. See “APPENDIX A – INFORMATION ABOUT THE ISSUER.”

Section 76.2 of the Act provides that when an Iowa political subdivision issues general obligation bonds, the governing authority of such political subdivision shall, by resolution adopted before issuing the bonds, provide for the assessment of an annual levy upon all the taxable property in the political subdivision sufficient to pay the interest and principal of the bonds. A certified copy of this resolution shall be filed with the County Auditor in which the Issuer is located, giving rise to a duty of the County Auditor to annually enter this levy for collection from the taxable property within the boundaries of the issuer, until funds are realized to pay the bonds in full.

For the purpose of providing for the levy and collection of a direct annual tax sufficient to pay the principal of and interest on the Bonds as the same become due, the Resolution provides for the levy of a tax sufficient for that purpose on all the taxable property in the Issuer in each of the years while the Bonds are outstanding. The Issuer shall file a certified copy of the Resolution with the County Auditor, pursuant to which the County Auditor is instructed to enter for collection and assess the tax authorized. When annually entering such taxes for collection, the County Auditor shall include the same as a part of the tax levy for Debt Service Fund purposes of the Issuer and when collected, the proceeds of the taxes shall be converted into the Debt Service Fund of the Issuer and set aside therein as a special account to be used solely and only for the payment of the principal of and interest on the Bonds and for no other purpose whatsoever.

Pursuant to the provisions of Section 76.4 of the Code of Iowa, each year while the Bonds remain outstanding and unpaid, any funds of the Issuer which may lawfully be applied for such purpose, may be appropriated, budgeted and, if received, used for the payment of the principal of and interest on the Bonds as the same become due, and if so appropriated, the taxes for any given fiscal year as provided for in the Resolution, shall be reduced by the amount of such alternate funds as have been appropriated for said purpose and evidenced in the Issuer’s budget.

## **BONDHOLDERS’ RISKS**

An investment in the Bonds involves an element of risk. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including the appendices hereto) in order to make a judgment as to whether the Bonds are an appropriate investment.

### **COVID-19**

The Issuer is monitoring developments and directives of federal, state and local officials to determine what precautions and procedures the Issuer may need to implement or revise in light of the spread of COVID-19. Some procedures and precautions resulting from the spread of COVID-19 with respect to operations, personnel and services may be mandated by federal and/or state entities. Because of the unprecedented nature of COVID-19, the behavior of businesses and people is being altered in a manner that cannot fully be determined or predicted but has had negative effects on economic activity, and therefore could adversely affect the financial condition of the Issuer, either directly or indirectly. The continued spread of COVID-19 in the future may: (i) limit the ability of the Issuer to conduct its operations in an historically normal manner, (ii) increase the cost of operations of the Issuer, (iii) impact the ability of the Issuer to provide personnel to carry out the services routinely provided by the Issuer, (iv) impact certain revenues received by the Issuer, (v) affect the secondary market with respect to the Bonds, and (vi) affect liquidity sources of the Issuer.

On March 20, 2020, Governor Reynolds issued an emergency declaration that temporarily suspends penalties and interest in connection with delays in property tax payments, which suspension has been continued by Governor Reynolds through June 25, 2020. The Issuer cannot predict the impact, if any, the suspension (or any extension thereof) of penalties and interest on late property tax payments may have on its timely receipt of property tax revenues.

The Issuer does not currently expect material reductions in revenue or material increases in expenses in fiscal year 2020 due to material COVID-19-related financial impacts and does not currently expect to amend its fiscal year 2021 budget due to material

COVID-19-related financial impacts. It is too soon, however, to fully predict what COVID-19-related financial impacts the Issuer may incur and whether any such financial impacts will be material. The Issuer does not currently expect to request or receive support from federal or state COVID-19 related loan or grant programs.

This information is based on current information available to the Issuer that may be incomplete and unknown. This information is forward-looking and subject to change.

### **Tax Levy Procedures**

The Bonds are general obligations of the Issuer, payable from and secured by a continuing ad-valorem tax levied against all of the taxable property within the boundaries of the Issuer. As part of the budgetary process of the Issuer each fiscal year the Issuer will have an obligation to request a debt service levy to be applied against all of the taxable property within the boundaries of the Issuer. A failure on the part of the Issuer to make a timely levy request or a levy request by the Issuer that is inaccurate or is insufficient to make full payments of the debt service on the Bonds for a particular fiscal year may cause Bondholders to experience delay in the receipt of distributions of principal of and/or interest on the Bonds.

### **Changes in Property Taxation**

From time to time the Iowa General Assembly has altered the method of property taxation and could do so again. Any alteration in property taxation structure could affect property tax revenues available to pay the Bonds.

Historically, the Iowa General Assembly has applied changes in property taxation structure on a prospective basis; however, there is no assurance that future changes in property taxation structure by the Iowa General Assembly will not be retroactive. It is impossible to predict the outcome of future property tax changes by the Iowa General Assembly or their potential impact on the Bonds and the security for the Bonds.

### **Matters Relating to Enforceability of Agreements**

Bondholders shall have and possess all the rights of action and remedies afforded by the common law, the Constitution and statutes of the State of Iowa and of the United States of America for the enforcement of payment of the Bonds, including, but not limited to, the right to a proceeding in law or in equity by suit, action or mandamus to enforce and compel performance of the duties required by Iowa law and the Resolution.

The practical realization of any rights upon any default will depend upon the exercise of various remedies specified in the Resolution or the Loan Agreement. The remedies available to the Bondholders upon an event of default under the Resolution or the Loan Agreement, in certain respects, may require judicial action, which is often subject to discretion and delay. Under existing law, including specifically the federal bankruptcy code, certain of the remedies specified in the Loan Agreement or the Resolution may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in these documents. The legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by general principles of equity and public policy and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

No representation is made, and no assurance is given, that the enforcement of any remedies will result in sufficient funds to pay all amounts due under the Resolution or the Loan Agreement, including principal of and interest on the Bonds.

### **Secondary Market**

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history of economic prospects connected with a particular issue, secondary marketing practices in connection with a particular Bond or Bonds issue are suspended or terminated. Additionally, prices of bond or note issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price of the Bonds.

EACH PROSPECTIVE PURCHASER IS RESPONSIBLE FOR ASSESSING THE MERITS AND RISKS OF AN INVESTMENT IN THE BONDS AND MUST BE ABLE TO BEAR THE ECONOMIC RISK OF SUCH INVESTMENT. THE SECONDARY MARKET FOR THE BONDS, IF ANY, COULD BE LIMITED.

### **Lack of Rating**

No credit rating for the Bonds has been requested. As a general rule, unrated bonds are less liquid in the secondary market than rated bonds, and may bear interest at rates higher than bonds with credit ratings. There can be no assurance that the Bonds will be marketable in the secondary market.

The Issuer has not requested a rating from any nationally recognized rating agency. The Issuer could request a rating at a later date or time and, if said rating is applied, it could affect, positively or negatively, the market value of the Bonds. In addition, if a rating is secured at a later date, that rating could, thereafter, be increased or decreased based solely on the views of the rating agency. Any revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

### **Bankruptcy and Insolvency**

The rights and remedies provided in the Resolution may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws or equitable principles that may affect the enforcement of creditor's rights, to the exercise of judicial discretion in appropriate cases and to limitations in legal remedies against exercise of judicial discretion in appropriate cases and to limitations on legal remedies against municipal corporations in the State of Iowa. The various opinions of counsel to be delivered with respect to the Bonds, the Loan Agreement and the Resolution, including the opinion of Bond Counsel, will be similarly qualified. If the Issuer were to file a petition under chapter nine of the federal bankruptcy code, the owners of the Bonds could be prohibited from taking any steps to enforce their rights under the Resolution. In the event the Issuer fails to comply with its covenants under the Resolution or fails to make payments on the Bonds, there can be no assurance of the availability of remedies adequate to protect the interests of the holders of the Bonds.

Under sections 76.16 and 76.16A of the Act, a city, county, or other political subdivision may become a debtor under chapter nine of the federal bankruptcy code, if it is rendered insolvent, as defined in 11 U.S.C. §101(32)(c), as a result of a debt involuntarily incurred. As used therein, "*debt*" means an obligation to pay money, other than pursuant to a valid and binding collective bargaining agreement or previously authorized bond issue, as to which the governing body of the city, county, or other political subdivision has made a specific finding set forth in a duly adopted resolution of each of the following: (1) that all or a portion of such obligation will not be paid from available insurance proceeds and must be paid from an increase in general tax levy; (2) that such increase in the general tax levy will result in a severe, adverse impact on the ability of the city, county, or political subdivision to exercise the powers granted to it under applicable law, including without limitation providing necessary services and promoting economic development; (3) that as a result of such obligation, the city, county, or other political subdivision is unable to pay its debts as they become due; and (4) that the debt is not an obligation to pay money to a city, county, entity organized pursuant to chapter 28E of the Code of Iowa, or other political subdivision.

### **Forward-Looking Statements**

This Official Statement contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "anticipated," "plan," "expect," "projected," "estimate," "budget," "pro forma," "forecast," "intend," and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and the actual results. These differences could be material and could impact the availability of funds of the Issuer to pay debt service when due on the Bonds.

### **Tax Matters, Bank Qualification and Loss of Tax Exemption**

As discussed under the heading "TAX EXEMPTION AND RELATED TAX MATTERS" herein, the interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Bonds, as a result of acts or omissions of the Issuer in violation of its covenants in the Resolution. Should such an event of taxability occur, the Bonds would not be subject to a special redemption and would remain outstanding until maturity or until redeemed under the redemption provisions contained in the Bonds, and there is no provision for an adjustment of the interest rate on the Bonds.

The Issuer will designate the Bonds as "qualified tax-exempt obligations" under the exception provided in Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and has further covenanted to comply with certain other requirements, which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code. However, the Issuer's failure to comply with such covenants could cause the Bonds not to be "qualified tax-exempt obligations" and banks and certain other financial institutions would not receive more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code.

It is possible that actions of the Issuer after the closing of the Bonds will alter the tax exempt status of the Bonds, and, in the extreme, remove the tax exempt status from the Bonds. In that instance, the Bonds are not subject to mandatory prepayment, and the interest rate on the Bonds does not increase or otherwise reset. A determination of taxability on the Bonds, after closing of the Bonds, could materially adversely affect the value and marketability of the Bonds.



## **DTC-Beneficial Owners**

Beneficial Owners of the Bonds may experience some delay in the receipt of distributions of principal of and interest on the Bonds since such distributions will be forwarded by the Paying Agent to DTC and DTC will credit such distributions to the accounts of the Participants which will thereafter credit them to the accounts of the Beneficial Owner either directly or indirectly through indirect Participants. Neither the Issuer nor the Paying Agent will have any responsibility or obligation to assure that any such notice or payment is forwarded by DTC to any Participants or by any Participant to any Beneficial Owner.

In addition, since transactions in the Bonds can be effected only through DTC Participants, indirect participants and certain banks, the ability of a Beneficial Owner to pledge the Bonds to persons or entities that do not participate in the DTC system, or otherwise to take actions in respect of such Bonds, may be limited due to lack of a physical certificate. Beneficial Owners will be permitted to exercise the rights of registered Owners only indirectly through DTC and the Participants. See “APPENDIX E – BOOK-ENTRY SYSTEM.”

## **Proposed Federal Tax Legislation**

From time to time, Presidential proposals, federal legislative committee proposals or legislative proposals are made that would, if enacted, alter or amend one or more of the federal tax matters described herein in certain respects or would adversely affect the market value of the Bonds. It cannot be predicted whether or in what forms any of such proposals that may be introduced, may be enacted and there can be no assurance that such proposals will not apply to the Bonds. See “TAX EXEMPTION AND RELATED TAX MATTERS” herein.

## **Pension and OPEB Information**

The Issuer contributes to the Iowa Public Employees’ Retirement System (“IPERS”), which is a state-wide multiple-employer cost-sharing 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. All full-time employees of the Issuer are required to participate in IPERS. IPERS plan members are required to contribute a percentage of their annual salary, in addition to the Issuer being required to make annual contributions to IPERS. Contribution amounts are set by State statute. The IPERS Comprehensive Annual Financial Report for its fiscal year ended June 30, 2019 (the “IPERS CAFR”), indicates that as of June 30, 2019, the date of the most recent actuarial valuation for IPERS, the funded ratio of IPERS was 83.73%, and the unfunded actuarial liability was approximately \$6.477 billion. The IPERS CAFR identifies the IPERS Net Pension Liability at June 30, 2019, at approximately \$5.791 billion, while its net pension liability at June 30, 2018, was approximately \$6.328 billion. The IPERS CAFR is available on the IPERS website, or by contacting IPERS at 7401 Register Drive, Des Moines, IA 50321. See “APPENDIX D – AUDITED FINANCIAL STATEMENTS OF THE ISSUER” for additional information on IPERS.

Bond Counsel, Disclosure Counsel, the Municipal Advisor, the Underwriter and the Issuer undertake no responsibility for and make no representations as to the accuracy or completeness of the information available from the IPERS discussed above or included on the IPERS website, including, but not limited to, updates of such information on the State Auditor’s website or links to other Internet sites accessed through the IPERS website.

In fiscal year ended June 30, 2019, the Issuer’s IPERS contribution totaled approximately \$245,605. The Issuer is current in its obligations to IPERS.

Pursuant to Governmental Accounting Standards Board Statement No. 68, IPERS has allocated the net pension liability among its members, with the Issuer’s identified portion at June 30, 2019, at approximately \$1,587,082. While the Issuer’s contributions to IPERS are controlled by state law, there can be no assurance the Issuer will not be required by changes in State law to increase its contribution requirement in the future, which may have the effect of negatively impacting the finances of the Issuer. See “APPENDIX D – AUDITED FINANCIAL STATEMENTS OF THE ISSUER” for additional information on pension and liabilities of the Issuer.

## **Summary**

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should become thoroughly familiar with this entire Official Statement and the appendices hereto.

## **LITIGATION**

The Issuer encounters litigation occasionally, as a course of business; however, no litigation currently exists that is not believed to be covered by current insurance carriers and the Issuer is not aware of any pending litigation that questions the validity of these Bonds.

## ACCOUNTANT

The financial statements of the Issuer as of and for the year ended June 30, 2019, included in this Official Statement as Appendix D, have been audited by Faller, Kincheloe & Co., PLC, Des Moines, Iowa, independent auditors, as stated in their report appearing herein. Faller, Kincheloe & Co., PLC has not been engaged to perform, and has not performed, any procedures on the financial statements after June 30, 2019, and also has not performed any procedures relating to this Official Statement.

The financial statements are prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.

## MUNICIPAL ADVISOR

The Issuer has retained Independent Public Advisors, LLC, Johnston, Iowa as municipal advisor (the “Municipal Advisor”) in connection with the preparation of the issuance of the Bonds. The Municipal Advisor assisted in the preparation of Appendix A hereto and in other matters relating to the planning, structuring and issuance of the Bonds. The Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of the Official Statement. In assisting with the preparation of the Appendix A, the Municipal Advisor has relied on government officials, and other sources to provide accurate information for disclosure purposes. The Municipal Advisor is not obligated to undertake, and has not undertaken, an independent verification of the accuracy, completeness, or fairness of the information contained in the Official Statement.

## PLAN OF FINANCING

The Issuer will use the proceeds of the Bonds to provide funds for paying the cost of financing improvements to streets and the acquisition of equipment for the street department, of paying the cost of financing improvements to the South Trail, and paying certain costs of issuance related to the Bonds.

## SOURCES AND USES OF FUNDS\*

The following are estimated sources and uses of funds, with respect to the Bonds.

<b>Sources of Funds</b>	
Bond Principal	\$4,070,000*
Premium	
<b>Total Sources of Funds</b>	<b>\$</b>
<b>Uses of Funds</b>	
Project Fund	\$
Costs of Issuance & Contingency <sup>(1)</sup>	\$
<b>Total Uses of Funds</b>	<b>\$</b>

(1) Includes, among other things, payment of certain legal, financial and other expenses related to the issuance of the Bonds (including, without limitation, underwriters' discount). See the discussion under the caption “UNDERWRITING” herein.

## TAX EXEMPTION AND RELATED TAX MATTERS

### Federal Income Tax Exemption

The opinion of Bond Counsel will state that under present laws and rulings, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed under the Code.

The opinion set forth in the preceding sentence will be subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. In the resolution authorizing the issuance of the Bonds, the Issuer will covenant to comply with all such requirements.

There may be certain other federal tax consequences to the ownership of the Bonds by certain taxpayers, including without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security and Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued)

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\* Preliminary, subject to change.

indebtedness to purchase or carry tax-exempt obligations. Bond Counsel will express no opinion with respect to other federal tax consequences to owners of the Bonds. Prospective purchasers of the Bonds should consult with their tax advisors as to such matters.

### **Proposed Changes in Federal and State Tax Law**

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. No prediction is made whether such provisions will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax exempt status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

### **Qualified Tax-Exempt Obligations**

In the resolution authorizing the issuance of the Bonds, the Issuer will designate the Bonds as “qualified tax exempt obligations” within the meaning of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes a portion of the interest expense that is allocable to tax-exempt obligations. In the opinion of Bond Counsel, the Bonds are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code.

### **Original Issue Premium**

The Bonds maturing in the years \_\_\_\_\_ are being issued at a premium to the principal amount payable at maturity. Except in the case of dealers, which are subject to special rules, Bondholders who acquire the Bonds at a premium must, from time to time, reduce their federal tax bases for the Bonds for purposes of determining gain or loss on the sale or payment of such Bonds. Premium generally is amortized for federal income tax purposes on the basis of a bondholder’s constant yield to maturity or to certain call dates with semiannual compounding. Bondholders who acquire any Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes. Bondholders who acquire any Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the state and local tax consequences of owning and selling the Bonds acquired at a premium.

### **Original Issue Discount**

The Bonds maturing in the years \_\_\_\_\_ (collectively, the “Discount Bonds”) are being sold at a discount from the principal amount payable on such Discount Bonds at maturity. The difference between the price at which a substantial amount of the Discount Bonds of a given maturity is first sold to the public (the “Issue Price”) and the principal amount payable at maturity constitutes “original issue discount” under the Internal Revenue Code. The amount of original issue discount that accrues to a holder of a Discount Bond under section 1288 of the Internal Revenue Code is excluded from federal gross income to the same extent that stated interest on such Discount Bond would be so excluded. The amount of the original issue discount that accrues with respect to a Discount Bond under section 1288 is added to the owner’s federal tax basis in determining gain or loss upon disposition of such Discount Bond (whether by sale, exchange, redemption or payment at maturity).

Interest in the form of original issue discount accrues under section 1288 pursuant to a constant yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Bond. The amount of original issue discount that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Discount Bonds (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Discount Bonds, over (2) the amount of stated interest actually payable. For purposes of the preceding sentence, the adjusted issue price is determined by adding to the Issue Price for such Discount Bonds the original issue discount that is treated as having accrued during all prior semiannual accrual periods. If a Discount Bond is sold or otherwise disposed of between semiannual compounding dates, then the original issue discount that would have accrued for that semiannual accrual period for federal income tax purposes is allocated ratably to the days in such accrual period.

An owner of a Discount Bond who disposes of such Discount Bond prior to maturity should consult owner's tax advisor as to the amount of original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or other disposition of such Discount Bond prior to maturity.

Owners who purchase Discount Bond in the initial public offering but at a price different than the Issue Price should consult their own tax advisors with respect to the tax consequences of the ownership Discount Bond.

The Internal Revenue Code contains provisions relating to the accrual of original issue discount in the case of subsequent purchasers of bonds such as the Discount Bonds. Owners who do not purchase Discount Bonds in the initial offering should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

Original issue discount that accrues in each year to an owner of a Discount Bond may result in collateral federal income tax consequences to certain taxpayers. No opinion is expressed as to state and local income tax treatment of original issue discount. All owners of Discount Bonds should consult their own tax advisors with respect to the federal, state, local and foreign tax consequences associated with the purchase, ownership, redemption, sale or other disposition of Discount Bonds.

## **LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale of the Bonds and with regard to the tax-exempt status of the interest thereon (see "TAX EXEMPTION AND RELATED TAX MATTERS" herein) are subject to the approving legal opinion of Dorsey & Whitney LLP, Des Moines, Iowa, Bond Counsel, a form of which is attached hereto as "APPENDIX B – FORM OF BOND COUNSEL OPINION." Signed copies of the opinion, dated and premised on law in effect as of the date of original delivery of the Bonds, will be delivered to the Underwriter at the time of such original delivery. The Bonds are offered subject to prior sale and to the approval of legality of the Bonds by Bond Counsel. Dorsey & Whitney LLP is also serving as Disclosure Counsel to the Issuer in connection with issuance of the Bonds.

The legal opinion to be delivered will express the professional judgment of Bond Counsel, and by rendering a legal opinion, Bond Counsel does not become an insurer or guarantor of the result indicated by that expression of professional judgment or of the transaction or the future performance of the parties to the transaction.

## **CONTINUING DISCLOSURE**

The Issuer will covenant in a Continuing Disclosure Certificate for the benefit of the Owners and Beneficial Owners of the Bonds to provide annually certain financial information and operating data relating to the Issuer (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. The Annual Report is to be filed by the Issuer no later than twelve months after the close of each fiscal year, commencing with the fiscal year ending June 30, 2020, with the Municipal Securities Rulemaking Board, at its internet repository named "Electronic Municipal Market Access" ("EMMA"). The notices of events, if any, are also to be filed with EMMA. See "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE." The specific nature of the information to be contained in the Annual Report or the notices of events, and the manner in which such materials are to be filed, are summarized in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the "Rule").

During the past five years, the Issuer has not failed to comply, in all material respects, with any previous undertakings it has entered into with respect to the Rule.

## **UNDERWRITING**

The Bonds are being purchased, subject to certain conditions, by \_\_\_\_\_ (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase all, but not less than all, of the Bonds at an aggregate purchase price of \$\_\_\_\_\_ (reflecting the par amount of the Bonds with original issue premium of \$\_\_\_\_\_ and an underwriter's discount of \$\_\_\_\_\_).

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into unit investment trusts, certain of which may be sponsored or managed by the Underwriter) at prices lower than the initial public offering prices stated on the cover page. The initial public offering prices of the Bonds may be changed, from time to time, by the Underwriter.

The Underwriter intends to engage in secondary market trading of the Bonds subject to applicable securities laws. The Underwriter is not obligated, however, to repurchase any of the Bonds at the request of the holder thereof.

## **MISCELLANEOUS**

Brief descriptions or summaries of the Issuer, the Bonds, the Resolution and other documents, agreements and statutes are included in this Official Statement. The summaries or references herein to the Bonds, the Resolution and other documents, agreements and

statutes referred to herein, and the description of the Bonds included herein, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entirety by reference to such documents, and the description herein of the Bonds is qualified in its entirety by reference to the form thereof and the information with respect thereto included in the aforesaid documents. Copies of such documents may be obtained from the Issuer.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any of the estimates will be realized. This Official Statement is not to be construed as a contract or agreement between the Issuer and the purchasers or Owners of any of the Bonds.

The attached APPENDICES A, B, C, D and E are integral parts of this Official Statement and must be read together with all of the foregoing statements.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bonds nor any error in the printing of such numbers shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Bonds.

The Issuer has reviewed the information contained herein which relates to it and has approved all such information for use within this Official Statement. The execution and delivery of this Official Statement has been duly authorized by the Issuer.

City of Vinton, Iowa

/s/

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**APPENDIX A**  
**INFORMATION ABOUT THE ISSUER**

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# CITY OF VINTON, IOWA

## VINTON, IA

### CITY HALL

110 West Third Street

Vinton, IA 52349

Telephone 319.472.4707

## MAYOR AND CITY COUNCIL

<b>Bud Maynard</b> .....	<i>Mayor</i>
<b>Ron Hessenius</b> .....	<i>Ward 1</i>
<b>Ron Elwick</b> .....	<i>Ward 2</i>
<b>Nate Edwards</b> .....	<i>Ward 3</i>
<b>Nathan Hesson</b> .....	<i>Ward 4</i>
<b>Brian Parr</b> .....	<i>At Large</i>
<b>Tami Stark</b> .....	<i>At Large</i>

## CITY OFFICIALS

<b>Chris Ward</b> .....	<i>City Administrator</i>
<b>Cindy Michael</b> .....	<i>City Clerk</i>
<b>Robert Fischer</b> .....	<i>City Attorney</i>

## PROPERTY VALUES

### IOWA PROPERTY VALUATIONS

In compliance with Section 441.21 of the Code of Iowa, the State Director of Revenue annually directs all County Auditors to apply prescribed statutory percentages to the assessments of certain categories of real property. The assessments finalized as of January 1 of each year are applied to the following fiscal year. The 2019 final Actual Values were adjusted by the Benton County Auditor. The reduced values, determined after the application of rollback percentages, are the Taxable Values subject to tax levy. For assessment year 2019, the Taxable Value rollback rate was 55.0743% of Actual Value for residential property; 71.2500% of Actual Value for multi-residential property; 81.4832% of Actual Value for agricultural property; 90% of Actual Value for commercial, industrial, and railroad property, and 100% of Actual Value for utility property.

The Legislature's intent has been to limit the growth of statewide taxable valuations for most classes of property to 3% annually; utility taxable valuation growth is limited to 8%. Political subdivisions whose taxable values are thus reduced or are unusually low in growth are allowed to appeal the valuations to the State Appeal Board, in order to continue to fund present services.

**1/1/2019 VALUATIONS (Taxes payable July 1, 2020 through June 30, 2021)**

	<u>100%_</u> <u>Actual Value</u>	<u>Taxable Value</u> <u>(With Rollback)</u>
Residential	\$197,234,613	\$108,586,050
Multi-residential	10,393,228	7,400,720
Commercial	46,201,609	41,451,951
Industrial	9,680,792	8,676,182
Railroad	751,597	676,437
Utilities w/o Gas & Electric	<u>996,315</u>	<u>996,315</u>
Gross valuation	\$265,258,154	\$167,787,655
Less military exemption	<u>(514,856)</u>	<u>(514,856)</u>
Net valuation	\$264,743,298	\$167,272,799
TIF increment (used to compute debt service levies and constitutional debt limit)	\$1,763,818	\$1,763,818
Taxed separately		
Ag. Land & Buildings	\$1,827,000	\$1,488,697
Utilities – Gas & Electric	\$2,666,883	\$543,850

Source: Iowa Department of Management

**2019 GROSS TAXABLE VALUATION BY CLASS OF PROPERTY<sup>1</sup>**

	<u>Taxable</u> <u>Valuation</u>	<u>Percent</u> <u>Total</u>
Residential	\$108,586,050	64.51%
Multi-residential	7,400,720	4.40%
Commercial, Industrial, Other, Railroad & Utility	51,800,885	30.77%
Utilities – Gas & Electric	<u>543,850</u>	<u>0.32%</u>
Total Gross Taxable Valuation	\$168,331,505.00	100.00%

Source: Iowa Department of Management

<sup>1</sup> Before military exemption, and exclusive of ag land, ag buildings, and taxable TIF increment.

## TREND OF VALUATIONS

The 100% Actual Valuations, before rollback and after reduction of military exemption, include Ag. Land, Ag. Buildings, TIF Increment, and Gas & Electric Utilities. The Net Taxable Valuations, with the rollback and after the reduction of military exemption, include Gas & Electric Utilities, but exclude Ag Land, Ag Buildings, and Taxable TIF Increment. Iowa cities certify operating levies against Net Taxable Valuation excluding the Taxable TIF Increment and debt service levies are certified against Net Taxable Valuations including the Taxable TIF Increment.

Assessment <u>Year</u>	Payable <u>Fiscal Year</u>	100% <u>Actual Valuation</u>	Net Taxable Valuation <u>(With Rollback)</u>	Taxable <u>TIF Increment</u>
2015	2016-17	237,927,170	146,348,950	2,784,268
2016	2017-18	238,869,797	148,928,705	2,675,005
2017	2018-19	256,928,873	159,162,903	2,566,443
2018	2019-20	260,917,673	163,065,587	1,898,332
2019	2020-21	271,000,999	167,816,649	1,763,818

Source: Iowa Department of Management

## LARGER TAXPAYERS

<u>Taxpayer</u>	Property/ <u>Business Type</u>	1/1/2019 <u>Taxable Valuation</u>
Tama Bento Co-op	Agricultural Cooperative	\$3,812,500
Growmark, Inc	Pressurized Product Delivery	3,807,810
Lutheran Home for the Aged	Retirement Home	3,022,600
Kwik Trip	Convenience Store	3,000,000
Vinton Iowa Assisted Living	Health Care	2,567,100
Lynner Real Estate Investment	Real Estate	2,128,900
Performance Systems, L.C.	Janitorial Supply	1,919,200
Remington Seeds	Agriculture	1,592,000
Individual	Private	1,500,000
Fareway Stores, Inc.	Grocery	1,401,000

Source: Benton County Iowa Auditor's Office.

## INDEBTEDNESS

### DEBT LIMIT

Article XI, Section 3 of the State of Iowa Constitution limits the amount of debt outstanding at any time of any county, municipality or other political subdivision to no more than 5% of the actual value of all taxable property within the corporate limits, as taken from the last state and county tax list. The debt limit for the City, based on its 2015 Actual Valuation applicable to the fiscal year 2020-21, is as follows:

2019 Actual Valuation of Property	\$271,515,855
Less: Military Exemption	(514,856)
Net Valuation	\$271,000,999
Constitutional Debt Percentage	5.00%
Constitutional Debt Limit	<u>\$13,550,050</u>
Less: Applicable General Obligation Debt	<u>(5,460,000)</u>
Constitutional Debt Margin	\$8,090,050

### DIRECT DEBT

#### General Obligation Debt Paid by Property Taxes (Includes the Bonds)

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	Principal Outstanding <u>As of</u> <u>06/01/20</u>
05/12	\$985,000	Street Improvements & Refunding	06/22	\$170,000
04/13	2,000,000	Corporate Purpose	06/23	630,000
12/16	1,445,000	Refunding	06/23	590,000
07/20	4,070,000	Corporate Purpose	06/35	<u>4,070,000</u>
Total				<b>\$5,460,000</b>

## ANNUAL FISCAL YEAR DEBT SERVICE PAYMENTS

### General Obligation Debt Paid by Property Taxes (includes the Bonds)

Fiscal Year	Total Outstanding G.O. Debt Paid by Taxes		The Bonds		Total G.O. Debt Paid by Taxes	
	Principal	Principal and Interest	Principal	Principal and Interest	Principal	Principal and Interest
FY 2020-21	\$495,000	521,015		\$57,072	\$495,000	\$578,087
FY 2021-22	475,000	492,098	\$265,000	330,019	740,000	822,117
FY 2022-23	<u>420,000</u>	<u>428,185</u>	270,000	332,290	690,000	760,475
FY 2023-24			270,000	329,320	270,000	329,320
FY 2024-25			275,000	331,161	275,000	331,161
FY 2025-26			280,000	332,696	280,000	332,696
FY 2026-27			280,000	328,804	280,000	328,804
FY 2027-28			285,000	329,632	285,000	329,632
FY 2028-29			290,000	330,214	290,000	330,214
FY 2029-30			295,000	330,545	295,000	330,545
FY 2030-31			300,000	330,560	300,000	330,560
FY 2031-32			305,000	330,190	305,000	330,190
FY 2032-33			310,000	329,425	310,000	329,425
FY 2033-34			320,000	333,256	320,000	333,256
FY 2034-35			<u>325,000</u>	<u>331,760</u>	<u>325,000</u>	<u>331,760</u>
Total	\$1,390,000	\$1,441,298	\$4,070,000	\$4,686,944	\$5,460,000	\$6,128,242

### OTHER DEBT

#### TIF-backed Development Agreements

From time to time the City, pursuant to Section 403.9 of the Code of Iowa and the Issuer's urban renewal plans, has entered into Development Agreements which contain payment obligations from the Issuer to an external party. The Issuer's payment requirements under these contracts are not structured as general liabilities of the Issuer, but rather are exclusively secured by and payable from a pledge of the City's incremental property tax revenues (TIF) to be derived from the taxable properties (or some subset thereof) contained within an urban renewal area of the Issuer pursuant to Section 403.19 of the Code of Iowa. The City's payment obligations under these contracts are routinely contingent upon development or redevelopment performance requirements of the external party and are typically made subject to annual appropriation rights by the City Council. TIF Payments under these contracts are typically due and owing semi-annually on December 1 and June 1 of each fiscal year of the City. The City's Development Agreements with an estimated remaining payment liability of \$100,000 or more, which are each subject to annual appropriation by the City, are listed in the following table:

Agreement Start Date	Agreement With	Maximum Aggregate Remaining Payment Amount	Last Payment Date
FY 2019-2020	John Ketchen	\$1,275,000	June 1, 2036

## INDIRECT DEBT

	1/1/2019	Portion of		GO Debt <sup>2</sup>	City's
	Taxable	Taxable Value	Percent	Outstanding	Indirect
<u>Taxing District</u>	<u>Valuation</u>	<u>In the City</u>	<u>Applicable</u>	<u>As of 06/01/20</u>	<u>Portion</u>
Benton County	\$1,635,238,726	\$171,069,164	10.46%	\$0	\$0
Vinton-Shellsburg CSD	552,945,057	171,069,164	30.94%	4,345,000	1,344,248
Kirkwood Comm. College	28,627,085,453	171,069,164	0.60%	133,471,778	<u>797,598</u>
TOTAL					\$2,141,846

## DEBT RATIOS

	<u>G.O. Debt</u>	<u>Debt/Actual Market Value \$237,927,170</u>	<u>Debt/5,257 Population</u>
Direct General Obligation Debt	\$5,460,000	2.015%	\$1,038.62
Indirect General Obligation Debt	<u>2,141,846</u>	<u>0.790%</u>	<u>407.43</u>
Combined Debt	\$7,601,846	2.805%	\$1,446.05

## LEVIES AND TAX COLLECTIONS

<u>Fiscal Year</u>	<u>Taxes Levied<sup>3</sup></u>	<u>Taxes Collected</u>	<u>Collections as a % of Levies</u>
2014-15	2,181,711	2,194,472	100.58%
2015-16	2,275,370	2,217,478	97.46%
2016-17	2,420,492	2,498,783	103.23%
2017-18	2,408,881	2,493,810	103.53%
2018-19	2,562,234	2,567,764	100.22%
2019-20	2,661,556	--In process of collection--	

After the assessment of property in a calendar year, taxes are levied for collection in the following fiscal year. Taxes are certified to the County Auditor in March. The County Treasurer collects taxes for all taxing entities in the County. Statutory dates for payment without penalty are September 30 for the first installment and March 31 for the second installment. Penalty rates are established by State law at 1% per month.

<sup>2</sup> School district figures exclude Sale and Service Tax Revenue Bonds.

<sup>3</sup> Includes utility replacement request.

## TAX RATES

### Tax Rates (Per \$1,000 of Taxable Value)

Taxing District	FY 2015/16 \$/\$1,000	FY 2016/17 \$/\$1,000	FY 2017/18 \$/\$1,000	FY 2018/19 \$/\$1,000	FY 2019/20 \$/\$1,000
City Levies:					
General	\$8.10000	\$8.10000	\$8.10000	\$8.10000	\$8.10000
Outside \$8.10000	0.76673	0.76673	0.70368	0.79638	0.79638
Emergency Levy	0.27000	0.27000	0.00000	0.10793	0.27000
Debt Service	4.03598	3.88447	3.74356	3.65419	3.38984
Employee Benefits	<u>3.32550</u>	<u>3.47882</u>	<u>3.59008</u>	<u>3.47882</u>	<u>3.70112</u>
Total City	\$16.49821	\$16.50002	\$16.13732	\$16.13732	\$16.25734
City Ag Land	\$3.00375	\$3.00375	\$3.00375	\$3.00375	\$3.00375
All Jurisdictional Levies:					
Benton County	\$5.08784	\$5.02005	\$5.03363	\$4.8771	\$4.97141
City of Vinton	16.49821	16.50002	16.13732	16.13732	16.25734
Vinton-Shellsburg Schools	15.59779	15.59754	15.67420	15.51662	15.52114
County Assessor	0.37879	0.42433	0.37474	0.37474	0.37924
County Ag Extension	0.17045	0.17047	0.16917	0.17189	0.16704
Kirkwood Community College	1.06125	1.08048	1.13174	1.20354	1.21331
State of Iowa	<u>0.00330</u>	<u>0.00330</u>	<u>0.00310</u>	<u>0.00290</u>	<u>0.00280</u>
Consolidated Rates:					
Inside City Limits	\$38.79763	\$38.79619	38.52390	38.28411	38.51228

## LEVY LIMITS

A city's general fund tax levy is limited to \$8.10 per \$1,000 of taxable value, with provision for an additional \$0.27 per \$1,000 levy for an emergency fund which can be used for general fund purposes (Code of Iowa, Chapter 384, Division I). Cities may exceed the \$8.10 limitation upon authorization by a special levy election. Further, there are limited special purpose levies, which may be certified outside of the above-described levy limits (Code of Iowa, Section 384.12). The amount of the City's general fund levy subject to the \$8.10 limitation is \$8.10 for FY 2020-21, and the City also levies the emergency levy and for employee benefits. Debt service levies are not limited.

# **THE CITY**

## **CITY GOVERNMENT**

The City was incorporated in 1869 and operates under the Mayor-Council form of government. Policy is established by a Mayor and six council members, the mayor and two of the council members being elected at large and four members elected from wards. City Council members hold four-year staggered terms. The City Administrator, City Attorney, and City Clerk are appointed by the City Council. The City is the county seat of Benton County, Iowa.

The Municipal Electric Utility is managed and controlled by a Board of Trustees, appointed by the Mayor and approved by the City Council. The City has a new communications utility that will be offering high speed internet, cable tv and television services. The City has a well trained and equipped police department with 8 full time police officers. The City has a volunteer fire department with a part-time staff of 26 excellently trained volunteer fire fighters. In addition to public safety and electric utility services, the City provides water and sewer, library, parks and recreations, and general municipal services to residents.

## **EMPLOYEES AND PENSIONS**

The City has 40 full-time and 102 part-time employees (including seasonal employees), of which 40 full-time employees are enrolled in the Iowa Public Employees Retirement System (the “IPERS”) pension plan administered by the State of Iowa. IPERS members are required to contribute 6.29% of their annual salary and the City is required to contribute 9.44% 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 contribution to IPERS for the year ended June 30, 2019 was 245,605, increased from \$220,823 for the year ended June 30, 2018.

The City contributes to the Iowa Public Employees’ Retirement System (“IPERS”), which is a state-wide multiple-employer cost-sharing 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. All full-time employees of the Issuer are required to participate in IPERS. IPERS plan members are required to contribute a percentage of their annual salary, in addition to the Issuer being required to make annual contributions to IPERS. Contribution amounts are set by State statute. The IPERS Comprehensive Annual Financial Report for its fiscal year ended June 30, 2019 (the “IPERS CAFR”) indicates that as of June 30, 2019, the date of the most recent actuarial valuation for IPERS, the funded ratio of IPERS was 83.7%, and the unfunded actuarial liability was \$6.477 billion. The IPERS CAFR is available on the IPERS website, or by contacting IPERS at 7401 Register Drive, Des Moines, IA 50321. See “APPENDIX D —AUDITED FINANCIAL STATEMENTS OF THE ISSUER” for additional information on IPERS.



The following table sets forth certain information about the funding status of IPERS that has been extracted from the IPERS CAFR. According to IPERS, as of the end of fiscal year 2019, there were approximately 368,292 total members participating in IPERS, including City employees. Assumptions used in calculating funding status are identified in the IPERS CAFR.

Fiscal Year Ended June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability [b]	Unfunded Actuarial Accrued Liability (UAAL) [b] – [a]	Funded Ratio [a] / [b]	Covered Payroll [c]	UAAL as a % of Covered Payroll ([b]-[a]) /[c]
2016	29,033,696,587	34,619,749,147	5,586,052,560	83.86%	7,556,515,720	73.92%
2017	30,472,423,914	37,440,382,029	6,967,958,115	81.39%	7,863,160,443	88.62%
2018	31,827,755,864	38,642,833,653	6,815,077,789	82.36%	7,983,219,527	85.37%
2019	33,324,327,606	39,801,388,797	6,477,011,191	83.73%	8,151,043,468	79.46%

Source: IPERS Comprehensive Annual Financial Report (Fiscal Year 2019)

Bond Counsel, Disclosure Counsel, the City, and the Financial Advisor undertake no responsibility for and make no representations as to the accuracy or completeness of the information available from the IPERS discussed above or included on the IPERS website, including, but not limited to, updates of such information on the State Auditor's website or links to other Internet sites accessed through the IPERS website.

OPEB: The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. In addition, the City operates a medical/ prescription plan through Wellmark. Retirees under 65 would pay an age-based premium. As a result, there are no implicit subsidies offered through Wellmark.

The contribution requirements of plan members are established and maybe amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2019, the City contributed \$80,450 and plan members eligible for benefits contributed \$31,606 to the plan.

## UNION CONTRACTS

City employees are represented by the following bargaining units:

<u>Bargaining Unit</u>	<u>Contract Expiration Date</u>
Chauffers, Teamsters, & Helpers Local No. 238	June 30, 2020
International Brotherhood of Electrical Workers No. 55	June 30, 2020

## GENERAL INFORMATION

### LOCATION AND TRANSPORTATION

The City is located along the Cedar River, approximately 30 miles northwest of Cedar Rapids, Iowa. The City's population has grown from 4,845 in the 1970 census to a total of 5,257 in the 2010 census. Highway access includes State Highway 150 and US Highway 218.

Located in the City is Vinton Veterans Memorial Airport, a general service airport that supports twin and single-engine aircrafts. Commercial air transportation is available in Cedar Rapids.

### BUILDING PERMITS

City officials reported the following construction activity as of April 30, 2020. Permits for the City are reported on a calendar year basis.

Calendar	Permits	
<u>Year</u>	<u>Number</u>	<u>Value</u>
2016	30	5,285,700
2017	46	3,891,691
2018	33	3,915,000
2019	44	4,795,000
2020	36	8,415,000

Source: The City

### U.S. CENSUS DATA

<u>Calendar Year</u>	<u>Population</u>
1970	4,845
1980	5,040
1990	5,103
2000	5,102
2010	5,257
Estimate	5,075 <sup>4</sup>

Sources: State Data Center of Iowa U.S. Census Bureau.

### UNEMPLOYMENT RATES

Annual Averages:		<u>Benton</u>	<u>State of</u>
		<u>County</u>	<u>Iowa</u>
	2015	3.9%	3.8%
	2016	3.6%	3.6%
	2017	3.3%	3.1%
	2018	2.8%	2.6%
	2019	3.0%	2.7%
	2020 <sup>5</sup>	3.7%	3.0%

Source: Iowa Workforce Development website.

### EDUCATION

Education for the City of Vinton is provided by the Vinton-Shellsburg Community School District. The school district has a 2019/20 certified enrollment of 1,522 students and owns and operates 2 elementary schools, 1 middle school, and 1 high school. Post high-school educational programs are provided by Kirkwood Community College.

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<sup>4</sup> 2019 Estimate; U.S. Census Bureau.

<sup>5</sup> Average January through March 2020.

## APPENDIX B

### FORM OF BOND COUNSEL OPINION\*

We hereby certify that we have examined certified copies of the proceedings (the “Proceedings”) of the City Council of the City of Vinton (the “Issuer”), in Benton County, Iowa, passed preliminary to the issue by the Issuer of its General Obligation Corporate Purpose Bonds, Series 2020A (the “Bonds”) in the amount of \$4,070,000\*, dated July 15, 2020, in the denomination of \$5,000 each, or any integral multiple thereof, in accordance with a loan agreement dated as of July 15, 2020 (the “Loan Agreement”), and pursuant to a resolution adopted by the Issuer on June 25, 2020 (the “Resolution”). The Bonds mature on June 1 in each of the respective years and in the principal amounts and bear interest payable semiannually, commencing December 1, 2020, at the respective rates as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate Per Annum</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate Per Annum</u>
2022	\$265,000	____%	2029	\$290,000	____%
2023	\$270,000	____%	2030	\$295,000	____%
2024	\$270,000	____%	2031	\$300,000	____%
2025	\$275,000	____%	2032	\$305,000	____%
2026	\$280,000	____%	2033	\$310,000	____%
2027	\$280,000	____%	2034	\$320,000	____%
2028	\$285,000	____%	2035	\$325,000	____%

Principal of the Bonds maturing on June 1 in each of the years 2028 to and including 2035, is subject to redemption prior to maturity on June 1, 2027 or on any date thereafter, at a price of par and accrued interest.

Based upon our examination, we are of the opinion, as of the date hereof, that:

1. The Proceedings show lawful authority for such issue under the laws of the State of Iowa.
2. The Bonds and the Loan Agreement are valid and binding general obligations of the Issuer.
3. All taxable property within the corporate boundaries of the Issuer is subject to the levy of taxes to pay the principal of and interest on the Bonds without constitutional or statutory limitation as to rate or amount.
4. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes and is not treated as a preference item in calculating the federal alternative minimum tax imposed under the Internal Revenue Code of 1986 (the “Code”). The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.
5. The Bonds are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the Bonds be, or continue to be, qualified tax-exempt obligations. The Issuer has covenanted to comply with each such requirement.

We express no opinion regarding other federal or state tax consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

DORSEY & WHITNEY LLP

\*Subject to adjustment

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## APPENDIX C

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Vinton, Iowa (the “Issuer”), in connection with the issuance of \$4,070,000 General Obligation Corporate Purpose Bonds, Series 2020A (the “Bonds”), dated July 15, 2020. The Bonds are being issued pursuant to a resolution of the Issuer approved on June 25, 2020 (the “Resolution”). The Issuer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12.

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean the Dissemination Agent, if any, designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access system available at <http://emma.msrb.org>.

“Financial Obligation” shall mean a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or, (iii) guarantee of either (i) or (ii). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB pursuant to the Rule.

“Holders” shall mean the registered holders of the Bonds, as recorded in the registration books of the Registrar.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“Municipal Securities Rulemaking Board” or “MSRB” shall mean the Municipal Securities Rulemaking Board, 1300 I Street NW, Suite 1000, Washington, DC 20005.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of Iowa.

Section 3. Provision of Annual Reports.

(a) To the extent such information is customarily prepared by the Issuer and is made publicly available, not later than June 30 (the “Submission Deadline”) of each year following the end of the of the 2021 fiscal year, the Issuer shall, or shall cause the Dissemination Agent (if any) to, file on EMMA an electronic copy of its Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate in a format and accompanied by such identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the Submission Deadline if they are not available by that date. If the Issuer’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and the Submission Deadline beginning with the subsequent fiscal year will become one year following the end of the changed fiscal year.

(b) If the Issuer has designated a Dissemination Agent, then not later than fifteen (15) business days prior to the Submission Deadline, the Issuer shall provide the Annual Report to the Dissemination Agent.

(c) If the Issuer is unable to provide an Annual Report by the Submission Deadline, in a timely manner thereafter, the Issuer shall, or shall cause the Dissemination Agent (if any) to, file a notice on EMMA stating that there has been a failure to provide an Annual Report on or before the Submission Deadline.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under State law, as in effect from time to time, or, if and to the extent such audited financial statements have not been prepared in accordance with generally accepted accounting principles, noting the discrepancies therefrom and the effect thereof. If the Issuer's audited financial statements are not available by the Submission Deadline, the Annual Report shall contain unaudited financial information (which may include any annual filing information required by State law) accompanied by a notice that the audited financial statements are not yet available, and the audited financial statements shall be filed on EMMA when they become available.

(b) other financial information and operating data regarding the Issuer of the type presented in the final official statement distributed in connection with the primary offering of the Bonds; provided, however, other than information included in its audited financial statements, the Issuer does not customarily prepare or make publicly available, most of the information in the final official statement, and accordingly no financial information or operating data (other than that normally included in the audited financial statements) will be provided by the Issuer in the Annual Report other than the following:

**PROPERTY VALUES**

**JANUARY 1 VALUATIONS**

**GROSS TAXABLE VALUATION BY CLASS OF PROPERTY**

**TREND OF VALUATIONS**

**LARGER TAXPAYERS**

**INDEBTEDNESS**

**DEBT LIMIT**

**DIRECT DEBT**

**General Obligation Debt Paid by Property Taxes (Includes the Bonds)**

**ANNUAL FISCAL YEAR DEBT SERVICE PAYMENTS**

**General Obligation Debt Paid by Property Taxes (includes the Bonds)**

**OTHER DEBT**

**TIF-backed Development Agreements**

**INDIRECT DEBT (City's Indirect Portion only)**

**DEBT RATIOS**

**LEVIES AND TAX COLLECTIONS**

**TAX RATES**

**THE CITY**

**EMPLOYEES AND PENSIONS**

**GENERAL INFORMATION**

**U.S. CENSUS DATA**

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which are available on EMMA or are filed with the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available on EMMA. The Issuer shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note to paragraph (12): For the purposes of the event identified in subparagraph (12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material.

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) If a Listed Event described in Section 5(a) paragraph (2), (7), (8) (but only with respect to bond calls under (8)), (10), (13), (14) or (15) has occurred and the Issuer has determined that such Listed Event is material under applicable federal securities laws, the Issuer shall, in a timely manner but not later than ten business days after the occurrence of such Listed Event, promptly file, or cause to be filed, a notice of such occurrence on EMMA, with such notice in a format and accompanied by such identifying information as prescribed by the MSRB.

(c) If a Listed Event described in Section 5(a) paragraph (1), (3), (4), (5), (6), (8) (but only with respect to tender offers under (8)), (9), (11), (12) or (16) above has occurred the Issuer shall, in a timely manner but not later than ten business days after the occurrence of such Listed Event, promptly file, or cause to be filed, a notice of such occurrence on EMMA, with such notice in a format and accompanied by such identifying information as prescribed by the MSRB. Notwithstanding the foregoing, notice of Listed Events described in Section (5)(a) paragraphs (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds or upon the Issuer's receipt of an opinion

of nationally recognized bond counsel to the effect that, because of legislative action or final judicial action or administrative actions or proceedings, the failure of the Issuer to comply with the terms hereof will not cause Participating Underwriters to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended.

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or Annual Report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be Independent Public Advisors, LLC.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) (i) the amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted; (ii) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (iii) the amendment or waiver either (1) is approved by the Holders in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders or (2) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners; or

(b) the amendment or waiver is necessary to comply with modifications to or interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing audited financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made will present a comparison or other discussion in narrative form (and also, if feasible, in quantitative form) describing or illustrating the material differences between the audited financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. Direct, indirect, consequential and punitive damages shall not be recoverable by any person for any default hereunder and are hereby waived to the extent permitted by law. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent, if any, shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.



Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: July 15, 2020

CITY OF VINTON, IOWA

By \_\_\_\_\_  
Mayor

Attest:

By \_\_\_\_\_  
City Clerk

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## **APPENDIX D**

### **AUDITED FINANCIAL STATEMENTS OF THE ISSUER**

The financial statements are prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.

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CITY OF VINTON  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2019

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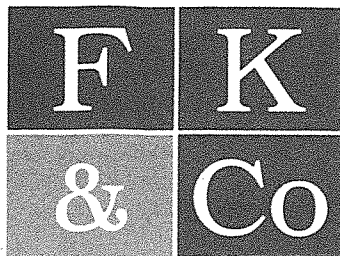
City of Vinton

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bud Maynard, Jr.	Mayor	January 1, 2020
F. Ronald Elwick	Council Member	January 1, 2020
Nathan Hesson	Council Member	January 1, 2020
Tamara Stark	Council Member	January 1, 2020
Ron Hessenius	Council Member	January 1, 2022
Brian Parr	Council Member	January 1, 2022
Nate Edwards	Council Member	January 1, 2022
Cindy Michael	City Clerk	Indefinite
Chris Ward	City Administrator	Indefinite
Robert B. Fischer Law Firm	Attorney	Indefinite

City of Vinton





# FALLER, KINCHELOE & CO, PLC

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## Certified Public Accountants

### Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

#### Report on the Financial Statements

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, (City) as of and for the year ended June 30, 2019, and the related Notes to 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

### *Basis for Adverse Opinion on Aggregate Discretely Presented Component Unit*

The financial statements referred to above do not include financial data for the City's legally separate component unit. Accounting principles applicable to the cash basis of accounting require financial data for this component unit to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component unit. The City has not issued such reporting entity financial statements. The amounts by which this departure would affect the receipts, disbursements and the cash basis balances of the aggregate discretely presented component unit has not been determined.

### *Adverse Opinion on Aggregate Discretely Presented Component Unit*

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component unit of the City as of June 30, 2019, or the changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

### *Unmodified Opinions*

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 of the City as of June 30, 2019, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

## Basis of Accounting

As discussed 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 opinions are not modified with respect to this matter.

## Other Matters

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City'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 two years ended June 30, 2018 (which are not presented herein) and expressed unmodified opinions on the financial statement of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements. An adverse opinion was expressed on the financial statements of the aggregate discretely presented component unit. The financial statements for the seven years ended June 30, 2016 (which are not presented herein) were audited by another auditor who expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for 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. Because of the significance of the matter described in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit" paragraph above, it is inappropriate to, and we do not, express an opinion on the supplementary information.

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 8 through 13 and 30 through 34 has not been subjected to the auditing procedures applied in the audit of the basic 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 April 7, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the City's 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's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Faller, Kincheloe & Co., PLC", is written in a cursive style.

FALLER, KINCHELOE & CO., PLC

April 7, 2020

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Vinton (City) 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, 2019. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2019 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 9.0%, or approximately \$475,000 from fiscal year 2018 to fiscal year 2019. Capital grants, contributions, and restricted interest receipts decreased approximately \$586,000 due to less grant monies received for street reconstruction. However, property tax receipts increased approximately \$74,000 from fiscal year 2018 to fiscal year 2019.
- Disbursements of the City's governmental activities decreased by 9.0%, or approximately \$533,000, in fiscal year 2019 from fiscal year 2018. Capital projects disbursements decreased approximately \$957,000, and culture and recreation disbursements increased approximately \$290,000.
- The City's total cash basis net position decreased 11.0%, or approximately \$570,000, from June 30, 2018 to June 30, 2019. Of this amount, the cash basis net position of the governmental activities decreased approximately \$812,000 and the cash basis net position of the business type activities increased approximately \$241,000.

### 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 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.

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 financial 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 and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the non-major governmental funds, the non-major proprietary funds and the City's indebtedness.

### BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operation of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers 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*

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 Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position present 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 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 system, sewer system, airport, landfill and the meter deposits. 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: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund, and 5) 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 are a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains five Enterprise Funds to provide separate information for the Water Fund, the Sewer Fund and the Airport Fund, considered to be major funds of the City and the Airport Fund and the Meter Deposits Fund, considered to be nonmajor funds of the City.

The required financial statements for proprietary funds are a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased sharply from a year ago, decreasing from approximately \$4.213 million to approximately \$3.401 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2019	2018
Receipts:		
Program receipts:		
Charges for service	\$ 288	242
Operating grants, contributions and restricted interest	1,161	1,260
Capital grants, contributions and restricted interest	135	721
General receipts:		
Property tax	2,568	2,494
Tax increment financing	74	82
Other city tax	-	23
Local option sales tax	366	333
Payment in lieu of tax	84	84
Commercial/industrial tax replacement	71	-
Unrestricted interest on investments	35	5
Sale of capital assets	12	25
Total receipts	4,794	5,269
Disbursements:		
Public safety	1,239	1,149
Public works	883	772
Health and social services	28	29
Culture and recreation	1,285	995
Community and economic development	76	50
General government	492	560
Debt service	692	716
Capital projects	668	1,625
Total disbursements	5,363	5,896
Change in cash basis net position before transfers	(569)	(627)
Transfers, net	(243)	70
Change in cash basis net position	(812)	(557)
Cash basis net position beginning of year	4,213	4,770
Cash basis net position end of year	\$ 3,401	4,213

The City's total receipts for governmental activities decreased 9.0%, or approximately \$475,000, under the prior year. The total cost of all programs and services decreased approximately \$533,000, or 9.0%, with no new programs added this year. The decrease in receipts was the result of decreased capital grants, contributions and restricted interest received in fiscal year 2019 compared to fiscal year 2018. The decrease in program costs was the result of a decrease in capital project costs.

The City maintained a slight increase in the property tax dollar request for fiscal year 2019. Property tax receipts increased by approximately \$74,000 in fiscal year 2019. Property tax receipts are budgeted to increase approximately \$93,000 next year.

The cost of all governmental activities this year was approximately \$5.363 million compared to approximately \$5.896 million last year. However, as shown on the Statement of Activities and Net Position on page 15, the amount taxpayers ultimately financed for these activities was \$3.778 million because some of the cost was paid by those directly benefited from the programs (approximately \$288,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (approximately \$1,296,000). The City paid for the remaining “public benefit” portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City’s governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2019 from approximately \$2,223,000 to approximately \$1,584,000, principally due to decreased capital grants, contributions and restricted interest in fiscal year 2019.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2019	2018
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 608	599
Sewer	505	497
Landfill	903	794
Airport	132	139
Meter deposits	50	40
Operating grants, contributions and restricted interest	1	9
Capital grants, contributions and restricted interest	58	129
General receipts:		
Unrestricted interest on investments	7	1
Total receipts	2,264	2,208
Disbursements:		
Water	801	438
Sewer	533	494
Landfill	606	537
Airport	287	299
Meter deposits	39	38
Total disbursements	2,266	1,806
Change in cash basis net position before transfers	(2)	402
Transfers, net	243	(70)
Change in cash basis net position	241	332
Cash basis net position beginning of year	955	623
Cash basis net position end of year	\$ 1,196	955

Total business type activities receipts for the fiscal year were approximately \$2.264 million compared to approximately \$2.208 million last year. The increase was primarily due to an increase in charges for services receipts. The cash balance increased approximately \$241,000 from the prior year due to an increase in transfers. Total disbursements for the fiscal year increased 25.5% to approximately \$2,266,000.

### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City completed the year, its governmental funds reported a combined fund balance of \$3,400,845, a decrease of more than \$811,000 below last year's total of \$4,212,745. 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 by \$289,280 from the prior year to \$1,387,666. The City is attempting to maintain the General Fund on a status quo basis from year to year.
- The Special Revenue, Road Use Tax Fund cash balance increased by \$20,320 to \$417,556. This increase was due primarily to more monies received into this fund than related costs incurred by this fund. The monies in this fund can only be used for street related costs.
- The Special Revenue, Local Sales and Services Tax Fund cash balance increased from \$369,783 to \$1,038,563. This increase was primarily due to an increase in sales tax receipts in fiscal year 2019.
- The Special Revenue, Employee Benefit Fund cash balance was \$0 at June 30, 2019 and June 30, 2018. The City spends all of this money on employee benefits in the year that it was received.
- The Debt Service Fund cash balance increased by \$44,017 from the prior year to \$4,867. The City attempts to keep the cash balance in this fund close to \$0 at June 30 of each year.
- The Capital Projects Fund cash balance decreased by \$341,519 to \$72,301. The City spent a significant amount of money from this fund for flood related control projects in fiscal year 2019.

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

- The Enterprise, Water Fund cash balance decreased by \$245,299 to \$240,930. This decrease was due to increased capital project costs incurred in fiscal year 2019.
- The Enterprise, Sewer Fund cash balance increased by \$287,589 to \$383,264. This increase was due to increased transfers in fiscal year 2019.
- The Enterprise, Landfill Fund cash balance increased by \$275,455 to \$527,580. This increase was due to the raising of rates, which were necessary to keep up with the rising costs of the City's landfill charges.

### **BUDGETARY HIGHLIGHTS**

During the course of the year, the City amended its budget one time.

The City's receipts were \$180,864 more than budgeted. This was primarily due to the City receiving more miscellaneous receipts than anticipated.

The City's disbursements were \$1,912,926 less than budgeted. Disbursements in the culture and recreation and the business type activities functions were \$507,766 and \$456,014 less than the amended budget amounts.

The City exceeded the amount budgeted in the debt service function for the year ended June 30, 2019.

The original budget for fiscal year 2019 was approved by the City Council on March 12, 2018, and later amended on May 23, 2019. The budget amendment was necessitated because of additional capital projects costs and community and economic development costs in the fiscal year.



## DEBT ADMINISTRATION

At June 30, 2019, the City had approximately \$1,920,000 in bonds and other long-term debt outstanding, compared to approximately \$2,576,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	2019	2018
General obligation bonds and notes	\$ 1,880	2,390
Revenue bonds	7	9
Vinton Municipal Electric Utility	33	168
Lease purchase agreements	-	9
Total	\$ 1,920	2,576

Debt decreased due to the payoff of the scheduled debt payments in fiscal year 2019.

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 \$1,880,000 is significantly below its constitutional debt limit of \$12,846,443. Additional information about the City's long-term debt is presented in Notes 3, 4 and 5 to the financial statements.

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

The City of Vinton's elected and appointed officials and citizens considered many factors when setting the fiscal year 2019-20 budget.

These indicators were taken into account when adopting the budget for fiscal year 2020. Based on the tax rate of \$16.25734 per \$1,000 of taxable valuation, the City expects to generate \$2,661,588 in property tax receipts for fiscal year 2020. Receipts from all funds, including Enterprise Funds, are anticipated to be \$14,185,359.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayer, 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 Chris Ward, City Administrator, P.O. Box 529, Vinton, IA 52349.

## Basic Financial Statements

## City of Vinton

Exhibit A

## Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2019

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions / Programs:</b>							
<b>Governmental activities:</b>							
Public safety	\$ 1,238,847	18,333	77,083	-	(1,143,431)	-	(1,143,431)
Public works	883,300	1,741	726,069	-	(155,490)	-	(155,490)
Health and social services	27,772	-	-	-	(27,772)	-	(27,772)
Culture and recreation	1,285,246	147,609	298,490	-	(839,147)	-	(839,147)
Community and economic development	75,900	-	-	-	(75,900)	-	(75,900)
General government	491,576	120,239	57,701	-	(313,636)	-	(313,636)
Debt service	692,274	-	-	-	(692,274)	-	(692,274)
Capital projects	668,178	-	2,163	135,630	(530,385)	-	(530,385)
Total governmental activities	5,363,093	287,922	1,161,506	135,630	(3,778,035)	-	(3,778,035)
<b>Business type activities:</b>							
Water	800,504	607,861	-	-	-	(192,643)	(192,643)
Sewer	533,214	505,341	1,231	-	-	(26,642)	(26,642)
Landfill	605,756	902,812	-	-	-	297,056	297,056
Airport	286,936	131,819	-	57,722	-	(97,395)	(97,395)
Meter deposits	38,755	50,045	-	-	-	11,290	11,290
Total business type activities	2,265,165	2,197,878	1,231	57,722	-	(8,334)	(8,334)
Total	\$ 7,628,258	2,485,800	1,162,737	193,352	(3,778,035)	(8,334)	(3,786,369)
<b>General Receipts and Transfers:</b>							
Property tax and other city tax levied for:							
General purposes					1,979,824	-	1,979,824
Debt service					587,940	-	587,940
Tax increment financing					73,827	-	73,827
Other city tax					14	-	14
Local option sales tax					366,094	-	366,094
Payment in lieu of tax					84,000	-	84,000
Commercial/industrial tax replacement					70,833	-	70,833
Unrestricted interest on investments					34,887	6,810	41,697
Miscellaneous					44	-	44
Sale of capital assets					11,836	-	11,836
Transfers					(243,164)	243,164	-
Total general receipts and transfers					2,966,135	249,974	3,216,109
Change in cash basis net position					(811,900)	241,640	(570,260)
Cash basis net position beginning of year					4,212,745	954,724	5,167,469
Cash basis net position end of year					\$ 3,400,845	1,196,364	4,597,209
<b>Cash Basis Net Position</b>							
Restricted:							
Nonspendable					\$ 100,000	-	100,000
Expendable:							
Streets					417,556	-	417,556
Urban renewal purposes					2,191	-	2,191
Debt service					4,867	8,604	13,471
Other purposes					1,416,278	108,743	1,525,021
Unrestricted					1,459,953	1,079,017	2,538,970
Total cash basis net position					\$ 3,400,845	1,196,364	4,597,209

See notes to financial statements.

## City of Vinton

Exhibit B

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

As of and for the year ended June 30, 2019

	Special Revenue							Total
	General	Road Use Tax	Local Option Sales Tax	Employee Benefits	Debt Service	Capital Projects	Nonmajor	
<b>Receipts:</b>								
Property tax	\$1,429,018	-	-	550,806	587,940	-	-	2,567,764
Tax increment financing	-	-	-	-	-	-	73,827	73,827
Other city tax	14	-	366,094	-	-	-	-	366,108
Licenses and permits	67,683	-	-	-	-	-	-	67,683
Use of money and property	46,124	-	9,818	-	811	4,133	4,801	65,687
Intergovernmental	206,810	679,129	-	15,270	16,040	135,630	-	1,052,879
Charges for service	105,886	-	-	-	-	-	-	105,886
Miscellaneous	433,595	-	-	-	-	2,163	46,929	482,687
<b>Total receipts</b>	<b>2,289,130</b>	<b>679,129</b>	<b>375,912</b>	<b>566,076</b>	<b>604,791</b>	<b>141,926</b>	<b>125,557</b>	<b>4,782,521</b>
<b>Disbursements:</b>								
<b>Operating:</b>								
Public safety	1,173,649	-	-	-	-	-	65,198	1,238,847
Public works	224,491	658,809	-	-	-	-	-	883,300
Health and social services	9,988	-	17,784	-	-	-	-	27,772
Culture and recreation	1,274,450	-	10,796	-	-	-	-	1,285,246
Community and economic development	58,116	-	17,784	-	-	-	-	75,900
General government	491,576	-	-	-	-	-	-	491,576
Debt service	-	-	-	-	692,274	-	-	692,274
Capital projects	-	-	-	-	-	668,178	-	668,178
<b>Total disbursements</b>	<b>3,232,270</b>	<b>658,809</b>	<b>46,364</b>	<b>-</b>	<b>692,274</b>	<b>668,178</b>	<b>65,198</b>	<b>5,363,093</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>(943,140)</b>	<b>20,320</b>	<b>329,548</b>	<b>566,076</b>	<b>(87,483)</b>	<b>(526,252)</b>	<b>60,359</b>	<b>(580,572)</b>
<b>Other financing sources (uses):</b>								
Sale of capital assets	-	-	-	-	-	-	11,836	11,836
Transfers in	663,860	-	256,956	-	131,500	441,689	-	1,494,005
Transfers out	(10,000)	-	(216,721)	(566,076)	-	(256,956)	(687,416)	(1,737,169)
<b>Total other financing sources (uses)</b>	<b>653,860</b>	<b>-</b>	<b>40,235</b>	<b>(566,076)</b>	<b>131,500</b>	<b>184,733</b>	<b>(675,580)</b>	<b>(231,328)</b>
<b>Change in cash balances</b>	<b>(289,280)</b>	<b>20,320</b>	<b>369,783</b>	<b>-</b>	<b>44,017</b>	<b>(341,519)</b>	<b>(615,221)</b>	<b>(811,900)</b>
<b>Cash balances beginning of year</b>	<b>1,676,946</b>	<b>397,236</b>	<b>668,780</b>	<b>-</b>	<b>(39,150)</b>	<b>413,820</b>	<b>1,095,113</b>	<b>4,212,745</b>
<b>Cash balances end of year</b>	<b>\$1,387,666</b>	<b>417,556</b>	<b>1,038,563</b>	<b>-</b>	<b>4,867</b>	<b>72,301</b>	<b>479,892</b>	<b>3,400,845</b>
<b>Cash Basis Fund Balances</b>								
Nonspendable	\$ -	-	-	-	-	-	100,000	100,000
<b>Restricted for:</b>								
Streets	-	417,556	-	-	-	-	-	417,556
Urban renewal purposes	-	-	-	-	-	-	2,191	2,191
Debt service	-	-	-	-	4,867	-	-	4,867
Other purposes	14	-	1,038,563	-	-	-	377,701	1,416,278
Assigned	460,765	-	-	-	-	72,301	-	533,066
Unassigned	926,887	-	-	-	-	-	-	926,887
<b>Total cash basis fund balances</b>	<b>\$1,387,666</b>	<b>417,556</b>	<b>1,038,563</b>	<b>-</b>	<b>4,867</b>	<b>72,301</b>	<b>479,892</b>	<b>3,400,845</b>

See notes to financial statements.

## City of Vinton

Exhibit C

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

As of and for the year ended June 30, 2019

	Enterprise				
	Water	Sewer	Landfill	Nonmajor	Total
Operating receipts:					
Use of money and property	\$ 16,470	-	-	49,399	65,869
Charges for service	591,391	505,341	902,812	82,420	2,081,964
Miscellaneous	-	1,231	-	50,045	51,276
Total operating receipts	607,861	506,572	902,812	181,864	2,199,109
Operating disbursements:					
Business type activities	438,304	435,943	605,756	218,673	1,698,676
Total operating disbursements	438,304	435,943	605,756	218,673	1,698,676
Excess (deficiency) of operating receipts over (under) operating disbursements	169,557	70,629	297,056	(36,809)	500,433
Non-operating receipts (disbursements):					
Intergovernmental	-	-	-	57,722	57,722
Interest on investments	2,344	1,067	3,399	-	6,810
Debt service	(2,293)	-	-	-	(2,293)
Capital projects	(359,907)	(97,271)	-	(107,018)	(564,196)
Net non-operating receipts (disbursements)	(359,856)	(96,204)	3,399	(49,296)	(501,957)
Excess (deficiency) of receipts over (under) disbursements	(190,299)	(25,575)	300,455	(86,105)	(1,524)
Other financing sources (uses):					
Transfers in	-	313,164	-	10,000	323,164
Transfers out	(55,000)	-	(25,000)	-	(80,000)
Total other financing sources (uses)	(55,000)	313,164	(25,000)	10,000	243,164
Change in cash balances	(245,299)	287,589	275,455	(76,105)	241,640
Cash balances beginning of year	486,229	95,675	252,125	120,695	954,724
Cash balances end of year	\$ 240,930	383,264	527,580	44,590	1,196,364
<b>Cash Basis Fund Balances</b>					
Restricted for:					
Debt service	\$ 8,604	-	-	-	8,604
Meter deposits	-	-	-	108,743	108,743
Unrestricted	232,326	383,264	527,580	(64,153)	1,079,017
Total cash basis fund balances	\$ 240,930	383,264	527,580	44,590	1,196,364

See notes to financial statements.

City of Vinton  
Notes to Financial Statements  
June 30, 2019

**(1) Summary of Significant Accounting Policies**

The City of Vinton (City) 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 governmental services. The City also provides water, sewer, airport and landfill services for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City 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 and its blended component unit. The blended 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.

**Blended Component Unit**

The Vinton Fireman's Association (Association) is an entity which is legally separate from the City, but is so intertwined with the City it is, in substance, the same as the City. The Vinton Fireman's Association (Association) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act for the purpose of supporting the Vinton Fire Department. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Association meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the City.

The financial statements present the City of Vinton and exclude the City's discretely presented component unit. The discretely presented component unit discussed below is not included in the City's reporting entity although its operational or financial relationship with the City is significant.

**Excluded Discretely Presented Component Unit**

The Vinton Municipal Electric Utility (Utility) was established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific financial burdens on the City. The Utility is governed by a five-member board appointed by the Mayor and approved by the City Council. The Utilities' operating budget is subject to the approval of the City Council. Complete financial statements of the component unit, which will issue separate financial statements, can be obtained from the Utilities administrative office.

### Jointly Governed Organizations

The City also 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 Statement - 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 service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is 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 results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints 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. All remaining enterprise funds are aggregated and reported as nonmajor proprietary funds.

The City reports the following major governmental funds:

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 local option sales tax receipts and related costs authorized by the local option sales tax resolution.

The Employee Benefits Fund is utilized to account for property tax and other receipts to be used for the payment of employee benefits.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

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 waste water treatment and sanitary sewer system.

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

#### C. Measurement Focus and 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 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 is 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 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 City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.



E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2019, disbursements exceeded the amounts budgeted in the debt service function.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2019 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 the 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) to 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. 72.

(3) **Bonds and Notes Payable**

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

Year Ending June 30,	General Obligation Bonds and Notes		Water Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 490,000	34,083	2,000	210	492,000	34,293
2021	495,000	26,015	2,000	150	497,000	26,165
2022	475,000	17,098	3,000	90	478,000	17,188
2023	420,000	8,185	-	-	420,000	8,185
	<u>\$1,880,000</u>	<u>85,381</u>	<u>7,000</u>	<u>450</u>	<u>1,887,000</u>	<u>85,831</u>

Water Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$40,000 in water revenue bonds issued in October 2002. Proceeds from the bonds provided financing of the construction of water facilities and to refund the Series 1997 water revenue bonds. The bonds are payable solely from water customer net receipts and are payable through 2022. Annual principal and interest payment on the bonds are expected to require less than 2% of net receipts. The total principal and interest remaining to be paid on the bonds is \$7,450. For the current year, principal and interest paid and total customer net receipts were \$2,270 and \$169,557, respectively.

The resolutions providing for the issuance of the wastewater revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the Utility and the bond holder holds a lien on the future earnings of the funds.

- (b) The City shall establish a rate to be charged to customers in order to produce gross revenues at least sufficient to pay expenses of the operation and maintenance of the Utility, and to leave a balance of net revenues equal to at least 110% of the principal and interest of all outstanding bonds and notes due in the fiscal year.
- (c) Monthly transfers of 1/6 of the installment of interest next due and 1/12 of the installment of principal next due shall be made to a water revenue bond and interest sinking account. Monies in this fund are to be used solely for the purpose of paying principal and interest on the bonds.
- (d) All funds remaining after payment of all maintenance and operating expenses and the transfers to the restricted accounts noted above can be used to pay for extraordinary repairs or replacements to the system, may be used to pay or redeem any bonds, and then can be used for any lawful purpose.

**(4) Loans From Vinton Municipal Electric Utility (Utility)**

Annual debt requirements to maturity for loans from the Vinton Municipal Electric Utility consist of \$33,000 principal and \$619 interest due in fiscal year 2020.

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 \$1,444, respectively. The note payable balance was \$33,000 at June 30, 2019.

During the year ended June 30, 2015, the Utility agreed to loan \$300,000 to help finance the purchase of a new fire truck and new dump truck. For the current year, principal and interest paid were \$101,987 and \$2,040, respectively. The note payable balance was \$0 at June 30, 2019.

**(5) Lease Purchase Agreements**

On January 5, 2017, the City entered into a lease-purchase agreement to lease a police vehicle. At June 30, 2019, the balance owed in relation to this lease was \$0.

Payments under these lease-purchase agreements totaled \$9,738 during the year ended June 30, 2019.

**(6) Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.81% of covered payroll and the City contributed 10.21% of covered payroll, for a total rate of 17.02%.

The City's contributions to IPERS for the year ended June 30, 2019 were \$245,605.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2019, the City reported a liability of \$1,587,082 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2018, the City's proportion was 0.0250793%, which was a decrease of 0.000469% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$246,118, \$534,085 and \$344,958, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0 %	6.30 %
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	100.0 %	

**Discount Rate** - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payment to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
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City's proportionate share of the net pension liability	\$ 3,018,431	1,587,082	386,879
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IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

(7) **Other Postemployment Benefits (OPEB)**

The City has two medical/prescription benefit plans. Details of these two plans are as follows.

- Plan Description – The City operates a single-employer health benefit plan through Line Construction Benefit Fund which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2019, the City contributed \$80,450 and plan members eligible for benefits contributed \$31,606 to the plan. At June 30, 2019, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>7</u>
Total	<u><u>7</u></u>

- The City also operates a medical/prescription benefits plan through Wellmark. This benefit plan is age based, and retirees under age 65 pay their age based premium. As a result, there are no implicit subsidies for the benefits offered through Wellmark.

(8) **Lease Income**

The City is leasing antenna space on the water tower and City properties to communication providers. The length of the lease terms range from month-to-month to five years with options to extend for pre-defined additional years at the option of the tenants. Some of the lease terms contain provisions for monthly rent amounts and increases in rents. The City received \$14,920 from tenants in fiscal year 2019 from these leases.

The City is also leasing hangar space at the airport to various individuals and companies as well as farm ground at the airport. Most of these leases are on a month-to-month or year-to-year basis. However, one lease which began on February 1, 2019 is for 20 years. The City received \$49,399 from tenants in fiscal year 2019 from these leases.

**(9) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 17,784
	Employee Benefits	566,076
	Enterprise:	
	Water	55,000
	Landfill	25,000
		<u>663,860</u>
Special Revenue:		
Local Option Sales Tax	Capital Projects	<u>256,956</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	125,000
	Urban Renewal Tax Increment	6,500
		<u>131,500</u>
Capital Projects	Special Revenue:	
	Local Option Sales Tax	73,937
	Urban Renewal Tax Increment	367,752
		<u>441,689</u>
Enterprise:	Special Revenue:	
Sewer	Urban Renewal Tax Increment	<u>313,164</u>
Enterprise:		
Airport	General	<u>10,000</u>
Total		<u>\$ 1,817,169</u>

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

**(10) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, compensatory time 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 or death, one-half of the accumulated sick pay is paid to the employee. If the employee is younger than age 63 ½ at retirement, disability or death, the maximum payout is limited to 60 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, compensatory time and sick leave payable to employees at June 30, 2019, primarily relating the General Fund and the Enterprise, Electric Fund, is as follows:

Type of Benefit	Amount
Compensatory time	\$ 16,608
Vacation	56,630
Sick leave	<u>315,720</u>
Total	<u>\$ 388,958</u>

The liability has been computed based on rates of pay in effect at June 30, 2019.

**(11) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$16,810 during the year ended June 30, 2019.

**(12) Risk Management**

The City is 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. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(13) Contingencies**

The Vinton Fireman's Association (Association) has not filed information returns with the Internal Revenue Service (IRS) in several years. Because the Association has not filed information returns in several years, the IRS could either assess a penalty amount of \$20 per day for every day the information returns are delinquent, and/or revoke the non-profit status of the Association. At the present time, the outcome of these matters is uncertain and the amount of potential liability, if any, cannot be reasonably estimated.

At June 30, 2019, the City has a cash balance in excess of known tax increment financing obligations of approximately \$2,000 in the Special Revenue, Urban Renewal Tax Increment Fund. In addition, the City transferred approximately \$687,000 from the Special Revenue, Urban Renewal Tax Increment Fund in fiscal year 2019 for which the City could not explain the propriety of this transfer. Based on the requirements of the State of Iowa, the City may have to refund all of this money to the County Treasurer in accordance with Chapter 24.21 of the Code of Iowa.

**(14) Commitments**

The City participates in a number of Federal and State grant/loan programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the City. The City's management believes such revisions or disallowances, if any, will not be material to the City.

The City has entered into various agreements for street and airport related construction, as well as equipment purchases. As of June 30, 2019, approximately \$222,000 remains to be paid on these construction projects and equipment. These costs will be paid for as work progresses and when the equipment is received. It is anticipated that these construction projects and equipment purchases will be completed in fiscal year 2020. The City intends to pay for these costs from existing cash reserves and from a federal grant.

In fiscal year 2019, the City received a \$100,000 Community Catalyst and Building Remediation Grant from the Iowa Economic Development Authority. It is anticipated the City will receive the monies from this grant in fiscal year 2020.

**(15) Fund Balance**

The City's assigned fund balance in the General Fund as of June 30, 2019 consists of the following:

Purpose	Amount
Fire department	\$ 149,530
Unemployment	41,000
Park	139,776
Library	117,524
Police department	<u>12,935</u>
Total	<u>\$ 460,765</u>

**(16) Subsequent Events**

The City has evaluated all subsequent events through April 7, 2020, the date the financial statements were available to be issued.

The City entered into a lease purchase agreement for a police vehicle in fiscal year 2020. The principal portion of this lease purchase totaled \$34,403.

In fiscal year 2020, the City entered into an agreement to purchase snow removal equipment for the airport in the amount of \$315,638. The majority of this cost will be paid with a grant from the Federal Aviation Administration.

**(17) Prospective Accounting Change**

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2020. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.



## Other Information

City of Vinton  
Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2019

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Unaudited Component Unit		Budgeted Amounts		Final to Total Variance	
				Vinton		Total	Original		Final
				Municipal					
				Electric Utility Actual					
Receipts:									
Property tax	\$ 2,567,764	-	-	-	2,567,764	2,554,345	2,554,345	13,419	
Tax increment financing	73,827	-	-	-	73,827	156,162	156,162	(82,335)	
Other city tax	366,108	-	-	-	366,108	355,075	355,075	11,033	
Licenses and permits	67,683	-	-	-	67,683	23,387	23,387	44,296	
Use of money and property	65,687	72,679	20	93,888	232,234	69,466	69,466	162,768	
Intergovernmental	1,052,879	57,722	-	-	1,110,601	1,253,350	1,253,350	(142,749)	
Charges for service	105,886	2,081,964	-	4,619,398	6,807,248	7,340,050	7,340,050	(532,802)	
Miscellaneous	482,687	51,276	46,879	240,150	727,234	20,000	20,000	707,234	
Total receipts	4,782,521	2,263,641	46,899	4,953,436	11,952,699	11,771,835	11,771,835	180,864	
Disbursements:									
Public safety	1,238,847	-	20,519	-	1,218,328	1,289,674	1,329,674	111,346	
Public works	883,300	-	-	-	883,300	1,244,950	1,244,950	361,650	
Health and social services	27,772	-	-	-	27,772	37,012	37,012	9,240	
Culture and recreation	1,285,246	-	-	-	1,285,246	1,793,012	1,793,012	507,766	
Community and economic development	75,900	-	-	-	75,900	75,784	411,784	335,884	
General government	491,576	-	-	-	491,576	500,407	500,407	8,831	
Debt service	692,274	-	-	-	692,274	596,647	596,647	(95,627)	
Capital projects	668,178	-	-	-	668,178	601,000	886,000	217,822	
Business type activities	-	2,265,165	-	4,573,112	6,838,277	7,044,291	7,294,291	456,014	
Total disbursements	5,363,093	2,265,165	20,519	4,573,112	12,180,851	13,182,777	14,093,777	1,912,926	
Excess (deficiency) of receipts over (under) disbursements	(580,572)	(1,524)	26,380	380,324	(228,152)	(1,410,942)	(2,321,942)	2,093,790	
Other financing sources, net	(231,328)	243,164	-	-	11,836	-	-	11,836	
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(811,900)	241,640	26,380	380,324	(216,316)	(1,410,942)	(2,321,942)	2,105,626	
Balances beginning of year	4,212,745	954,724	159,585	6,795,657	11,803,541	10,933,635	10,933,635	869,906	
Balances end of year	\$ 3,400,845	1,196,364	185,965	7,175,981	11,587,225	9,522,693	8,611,693	2,975,532	

See accompanying independent auditor's report.

City of Vinton

Notes to Other Information - Budgetary Reporting

June 30, 2019

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 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 the Internal Service Fund. The annual budget may be amended during the year utilizing similar 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, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund 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, two budget amendments increased budgeted disbursements by \$911,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2019, disbursements exceeded the amount budgeted in the debt service function.

City of Vinton

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
For the Last Five Years\*  
(In Thousands)

Other Information

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.025079%	0.025548%	0.023820%	0.000235%	0.021613%
City's proportionate share of the net pension liability	\$ 1,590	1,702	1,499	869	875
City's covered payroll	\$ 2,419	2,382	2,145	1,780	2,063
City's proportionate share of the net pension liability as a percentage of its covered payroll	65.73%	71.45%	69.85%	48.82%	42.41%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceeding fiscal year.

See accompanying independent auditor's report.

City of Vinton  
Schedule of City Contributions  
Iowa Public Employees' Retirement System  
For the Last Ten Years  
(In Thousands)

Other Information

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Statutorily required contribution	\$ 246	221	217	146	142	135	132	165	145	133
Contributions in relation to the statutorily required contribution	(246)	(221)	(217)	(146)	(142)	(135)	(132)	(165)	(145)	(133)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
City's covered payroll	\$ 2,555	2,419	2,382	1,780	1,590	1,512	1,522	2,045	2,086	2,000
Contributions as a percentage of covered payroll	9.63%	9.14%	9.11%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%

See accompanying independent auditor's report.

City of Vinton

Notes to Other Information – Pension Liability

Year ended June 30, 2019

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2016. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

## Supplementary Information

## City of Vinton

## Schedule I

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

As of and for the year ended June 30, 2019

	Special Revenue			Permanent	Total
	Urban Renewal Tax Increment	Police	Vinton Fireman's Association	Tobin Trust	
Receipts:					
Tax increment financing	\$ 73,827	-	-	-	73,827
Use of money and property	2,606	2,175	20	-	4,801
Miscellaneous	-	50	46,879	-	46,929
Total receipts	76,433	2,225	46,899	-	125,557
Disbursements:					
Operating:					
Public safety	-	44,679	20,519	-	65,198
Total disbursements	-	44,679	20,519	-	65,198
Excess (deficiency) of receipts over (under) disbursements	76,433	(42,454)	26,380	-	60,359
Other financing sources (uses):					
Sale of capital assets	-	11,836	-	-	11,836
Transfers out	(687,416)	-	-	-	(687,416)
Total other financing sources (uses)	(687,416)	11,836	-	-	(675,580)
Change in cash balances	(610,983)	(30,618)	26,380	-	(615,221)
Cash balances beginning of year	613,174	222,354	159,585	100,000	1,095,113
Cash balances end of year	\$ 2,191	191,736	185,965	100,000	479,892
<b>Cash Basis Fund Balances</b>					
Nonspendable	\$ -	-	-	100,000	100,000
Restricted for:					
Urban renewal purposes	2,191	-	-	-	2,191
Other purposes	-	191,736	185,965	-	377,701
Total cash basis fund balances	\$ 2,191	191,736	185,965	100,000	479,892

See accompanying independent auditor's report.



## City of Vinton

## Schedule 2

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

As of and for the year ended June 30, 2019

	Enterprise		
	Meter		
	Airport	Deposits	Total
Operating receipts:			
Use of money and property	\$ 49,399	-	49,399
Charges for service	82,420	-	82,420
Miscellaneous	-	50,045	50,045
Total operating receipts	131,819	50,045	181,864
Operating disbursements:			
Business type activities	179,918	38,755	218,673
Total operating disbursements	179,918	38,755	218,673
Excess (deficiency) of operating receipts over (under) operating disbursements	(48,099)	11,290	(36,809)
Non-operating receipts (disbursements):			
Intergovernmental	57,722	-	57,722
Capital projects	(107,018)	-	(107,018)
Net non-operating receipts (disbursements)	(49,296)	-	(49,296)
Excess (deficiency) of receipts over (under) disbursements	(97,395)	11,290	(86,105)
Other financing sources (uses):			
Transfers in	10,000	-	10,000
Total other financing sources (uses)	10,000	-	10,000
Change in cash balances	(87,395)	11,290	(76,105)
Cash balances beginning of year	23,242	97,453	120,695
Cash balances end of year	\$ (64,153)	108,743	44,590
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Meter deposits	\$ -	108,743	108,743
Unrestricted	(64,153)	-	(64,153)
Total cash basis fund balances	\$ (64,153)	108,743	44,590

See accompanying independent auditor's report.

City of Vinton  
Schedule of Indebtedness  
Year ended June 30, 2019

Schedule 3

	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Bonds and Notes:									
Street Improvement and Refunding Series 2012	June 26, 2012	0.80-2.05%	\$ 985,000	335,000	-	80,000	255,000	6,208	-
Corporate Purpose Series 2013	March 11, 2013	0.40-1.90%	2,000,000	1,035,000	-	200,000	835,000	15,595	-
Refunding Series 2016	November 21, 2016	2.00%	1,445,000	1,020,000	-	230,000	790,000	20,400	-
Total				<u>\$ 2,390,000</u>	<u>-</u>	<u>510,000</u>	<u>1,880,000</u>	<u>42,203</u>	<u>-</u>
Water Revenue Bonds:									
Water	October 8, 2002	3.00%	\$ 40,000	9,000	-	2,000	7,000	270	-
Vinton Municipal Electric Utility (Component Unit):									
Street Department Equipment	July 8, 2010	2.50%	\$ 330,000	66,000	-	33,000	33,000	1,444	-
Fire Truck	May 1, 2015	2.00%	300,000	101,987	-	101,987	-	2,040	-
				<u>\$ 167,987</u>	<u>-</u>	<u>134,987</u>	<u>33,000</u>	<u>3,484</u>	<u>-</u>
Lease Purchase Agreement:									
Equipment	January 5, 2017	5.00%	\$ 27,844	9,274	-	9,274	-	464	-

See accompanying independent auditor's report.

## Bond and Note Maturities

June 30, 2019

Year Ending June 30,	General Obligation Bonds and Notes						
	Street Improvement and Refunding Series 2012		Corporate Purpose				
			Series 2013		Refunding Series 2016		
	Issued June 26, 2012		Issued March 11, 2013		Issued November 21, 2016		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
2020	1.65%	\$ 85,000	1.30%	\$ 205,000	2.00%	\$ 200,000	490,000
2021	2.05%	85,000	1.50%	205,000	2.00%	205,000	495,000
2022	2.05%	85,000	1.70%	210,000	2.00%	180,000	475,000
2023	-	-	1.90%	215,000	2.00%	205,000	420,000
		<u>\$ 255,000</u>		<u>\$ 835,000</u>		<u>\$ 790,000</u>	<u>1,880,000</u>

Year Ending June 30,	Revenue Bonds		
	Water		
	Issued October 8, 2002		
	Interest Rates	Amount	Total
2020	3.00%	\$ 2,000	2,000
2021	3.00%	2,000	2,000
2022	3.00%	3,000	3,000
		<u>\$ 7,000</u>	<u>7,000</u>

See accompanying independent auditor's report.

## City of Vinton

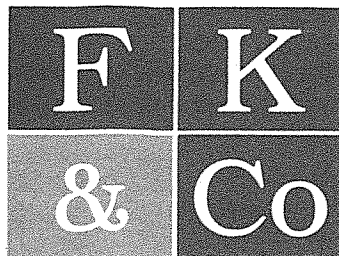
Schedule 5

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

For the Last Ten Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Receipts:										
Property tax	\$2,567,764	2,493,699	2,499,749	2,484,984	2,217,477	2,198,643	1,949,851	1,906,380	1,741,198	1,660,159
Tax increment financing	73,827	81,465	85,826	223,046	163,880	291,114	196,806	219,463	193,539	235,937
Other city tax	366,108	356,571	402,015	325,530	369,361	314,576	350,590	317,234	305,162	325,196
Licenses and permits	67,683	46,988	41,237	72,448	50,692	62,712	59,861	74,082	62,757	55,805
Use of money and property	65,687	27,927	38,292	34,602	81,217	79,026	69,556	41,092	26,479	18,614
Intergovernmental	1,052,879	1,563,520	897,282	786,882	1,163,187	1,107,613	791,942	1,427,033	1,579,660	1,915,116
Charges for service	105,886	123,204	116,541	126,310	106,604	114,900	119,533	449,486	681,110	592,712
Special assessments	-	-	275	11,057	12,214	17,994	19,785	22,118	18,276	24,983
Miscellaneous	482,687	550,038	494,129	453,181	631,223	794,067	1,211,848	109,281	140,222	145,487
Total	<u>\$4,782,521</u>	<u>5,243,412</u>	<u>4,575,346</u>	<u>4,518,040</u>	<u>4,795,855</u>	<u>4,980,645</u>	<u>4,769,772</u>	<u>4,566,169</u>	<u>4,748,403</u>	<u>4,974,009</u>
Disbursements:										
Operating:										
Public safety	\$1,238,847	1,149,295	1,145,098	1,003,315	911,518	1,065,982	1,166,782	876,443	800,008	906,850
Public works	883,300	772,278	934,793	701,033	1,151,274	1,207,558	961,928	1,096,695	803,130	1,380,414
Health and social services	27,772	28,929	51,002	31,123	32,820	36,317	15,898	30,978	31,986	20,355
Culture and recreation	1,285,246	994,723	924,941	953,315	885,270	1,198,102	925,864	913,989	893,606	931,478
Community and economic development	75,900	50,250	102,390	88,652	35,300	60,274	49,489	31,893	25,087	374,213
General government	491,576	559,916	416,715	399,191	394,589	366,880	422,523	722,020	428,031	453,244
Debt service	692,274	715,897	2,265,439	957,008	843,182	969,349	746,938	530,570	1,840,112	616,038
Capital projects	668,178	1,624,677	105,703	64,041	1,424,835	1,529,453	218,759	549,496	1,022,695	1,835,677
Total	<u>\$5,363,093</u>	<u>5,895,965</u>	<u>5,946,081</u>	<u>4,197,678</u>	<u>5,678,788</u>	<u>6,433,915</u>	<u>4,508,181</u>	<u>4,752,084</u>	<u>5,844,655</u>	<u>6,518,269</u>

See accompanying independent auditor's report.



**FALLER, KINCHELOE & CO, PLC**

**Certified Public Accountants**

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 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 (City) as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 7, 2020. Our report expressed unmodified opinions on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information, which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed an adverse opinion on the aggregate discretely presented component units due to the omission of the Vinton Municipal Electric Utility.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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, we identified deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

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's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items I-A-19, I-B-19, I-D-19 and I-E-19 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 the accompanying Schedule of Findings as item I-C-19 to be a significant deficiency.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2019 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's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City'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 purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City 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.



FALLER, KINCHELOE & CO., PLC

April 7, 2020

City of Vinton  
Schedule of Findings  
Year ended June 30, 2019

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

**I-A-19 Segregation of Duties**

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City of Vinton (City) financial statements.

Condition – Generally, two or three individuals have control over each of the following areas for the City:

- (1) Cash – preparing bank account reconciliations, cash receipt and disbursement functions and handling and recording cash. There is no independent review of the bank reconciliations.
- (2) Receipts – collecting, depositing, recording and posting. The initial listing is not reviewed by an independent person.
- (3) Disbursements – purchasing, check preparation, signing, recording and posting.
- (4) Payroll - recordkeeping, preparation and distribution.
- (5) Long-term debt – recordkeeping and reviewing compensated absences records. Compensated absences are not reviewed by an independent person.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff.

Response – The City will review its control procedures to obtain the maximum internal control possible with the limited staff it has.

Conclusion – Response acknowledged.

**I-B-19 Preparation of Financial Statements**

Criteria - A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity.

City of Vinton

Schedule of Findings

Year ended June 30, 2019

Condition - As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Cause - We recognize that with a limited number of office employees, preparation of the financial statements and accompanying notes to the financial statements is difficult.

Effect - The effect of this condition is that the year-end financial reporting is prepared by a party outside of the City. The outside party does not have the constant contact with ongoing financial transactions.

Recommendation - We recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statements and accompanying notes to the financial statements internally.

Response – These are very technical issues that the average citizen would not understand. This issue relates to auditor independence issues, and we accept the risk associated with not being able to prepare these documents and apply accounting principles in accordance with an other comprehensive basis of accounting.

Conclusion – Response acknowledged.

I-C-19 Chart of Accounts

Criteria – An effective internal control system provides for internal controls related to accurate and complete financial reporting.

Condition – The City has not fully implemented the recommended Uniform Chart of Accounts for Iowa City Governments approved by the City Finance Committee.

Cause – City policies and procedures have not been established to require the use of the Uniform Chart of Accounts.

Effect – Not using a uniform chart of accounts could result in inaccurate or incomplete financial reporting.

Recommendation – To provide better financial information and control, the City should establish policies and procedures to require the use of the recommended Uniform Chart of Accounts, or its equivalent.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

I-D-19 Accounting Records

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.



City of Vinton

Schedule of Findings

Year ended June 30, 2019

Condition – Receivable and liability amounts are recorded on the accounting system, even though the City is on a cash basis. Adjustments were subsequently made to properly record these amounts in the financial statements.

Cause – City policies do not require and procedures have not been established to provide for an independent review of the financial statements to ensure the City's financial statements are accurate.

Effect – Lack of City policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions. As a result, adjustments to the City's financial statements were necessary.

Recommendation – The City should establish procedures to ensure all receipts and disbursements are properly recorded and reported in the City's cash basis of accounting financial statements.

Response – The City will attempt to implement these changes to our accounting system.

Conclusion – Response acknowledged.

I-E-19 Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to reconciling monthly financial reports to all bank accounts and investments.

Condition – Although bank reconciliations are performed monthly, differences were noted between the bank and investment account balances recorded on the bank reconciliations compared to the bank and investment account balances as recorded on the accounting system.

Cause – City policies do not require and procedures have not been established to ensure bank and investment account balances are reconciled monthly to the book balances recorded on the accounting system.

Effect – Lack of performing a comparison of book balances with the bank reconciliation balances could result in undetected errors or unauthorized activity.

Recommendation – To improve financial accountability and control, monthly bank and investment account balances should be reconciled to book balances and variances between book and bank balances should be investigated and resolved timely.

Response – We will review our procedures to ensure our bank reconciliations are accurately completed.

Conclusion – Response acknowledged.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Vinton  
Schedule of Findings  
Year ended June 30, 2019

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-19 Certified Budget – Disbursements during the year ended June 30, 2019 exceeded the amount budgeted in the debt service function. 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.”

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.

Response – The budget will be amended before disbursements are allowed to exceed the budget.

Conclusion – Response acknowledged.

II-B-19 Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

II-C-19 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-19 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction/ Description</u>	<u>Amount</u>
F. Ronald Elwick, City Council member, Employee of Elwick Electric, Inc.	Repairs/Maintenance	\$4,082
Robert Fischer, City Attorney, Owner of Fischer Law Firm, LLP	Remediation grant	11,086
Nate Edwards, City Council member, Employee of Edwards Plumbing and Heating	Repairs/Maintenance	1,642

The transaction with the City Council members and the City Attorney may represent a conflict of interest since both were more than \$1,500 and the City did not enter into the contract through competitive bid in accordance with Chapter 362.5(3)(d) and (j) of the Code of Iowa.

Recommendation - The City should consult legal counsel to determine the disposition of this matter.

Response – We will consult our Attorney in relation to this issue.

Conclusion – Response acknowledged.

II-E-19 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.

II-F-19 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

City of Vinton

Schedule of Findings

Year ended June 30, 2019

II-G-19 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-H-19 Revenue Bonds – No instances of non-compliance with the revenue bond resolutions were noted.

II-I-19 Contractor Payments – Federal regulations require that costs incurred and paid do not exceed the contracted amount. As of June 30, 2019, the City paid the construction contractor \$35,361 more than the sum of the original contract amount plus change orders.

Recommendation – The City should implement procedures to ensure contract terms are followed for the contract between the City and the contractor.

Response – We will implement this recommendation in the future.

Conclusion – Response acknowledged.

II-J-19 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. Instances were noted where the City did not receive an image of the back of each cancelled check.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

Response – Beginning of January 1, 2019, our bank is now providing us the fronts and backs of each cancelled check.

Conclusion – Response acknowledged.

II-K-19 Payroll – Instance were noted where employee timecards were not signed by the employees. In addition, instances were also noted where timecards were not approved by the employees' supervisor.

Recommendation – The City should implement procedures to ensure all timecards are signed by the employees and that all timecards are approved by the employees' supervisor.

Response – We will attempt to implement this recommendation in the future.

Conclusion – Response acknowledged.

II-L-19 Vinton Fireman's Association – The Vinton Fireman's Association (Association) is a separate non-profit organization. The Association has not filed information returns with the Internal Revenue Service (IRS) in several years. As a result, the IRS could fine the Association \$20 per day for every day the filing is late and/or revoke the non-profit status of the Association.

Recommendation – The Association should work with the IRS to resolve the non-filing of the information returns.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

City of Vinton

Schedule of Findings

Year ended June 30, 2019

II-M-19 Meal Reimbursement – The City pays its fire personnel \$57 per day for meals when they are out of town overnight for training. The City does not receive documentation from the fire personnel as to the actual cost of meals while out of town for training. As a result, this is not an accountable plan, and these amounts paid to fire personnel should be reported on the individuals W2, with all applicable taxes withheld in accordance with Internal Revenue Service (IRS) requirements.

Recommendation – The City should implement procedures to ensure all IRS requirements are followed in relation to meal reimbursements paid to fire personnel.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

II-N-19 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. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. Chapter 403.19 of the Code of Iowa requires the date the City Council initially approved the debt be included on the TIF certification.

We noted the following related to the City's TIF balances and procedures:

- At June 30, 2019, the City had a cash balance of \$2,191 in the Special Revenue, Urban Renewal Tax Increment Fund with no known TIF obligations. Chapter 24.21 of the Code of Iowa states that any excess TIF funds be transferred to the County for allocation to the funds of the respective taxing districts.
- During the year, the City made total transfers of \$687,416 from the Special Revenue, Urban Renewal Tax Increment Fund to the Debt Service Fund, the Capital Projects Fund and the Enterprise, Sewer Fund. The City could not locate supporting documentation for the transfer. As a result, we were unable to determine the propriety of the transfer.
- Bank interest amounts credited to the Special Revenue, Urban Renewal Tax Increment Fund were not decertified to the County Auditor for the amounts recorded in the fund, as required by the Code of Iowa.
- Based on the City's TIF certifications to the Benton County Auditor, the County Auditor plans to pay the City in excess of \$1.1 million in tax increment financing funds in the future. However, as noted above, the City has identified \$0 in TIF obligations as of June 30, 2019. City personnel could not explain why they certified an amount in excess of known TIF obligations.

Recommendation – The City should consult TIF legal counsel to determine the disposition of these issues. The City should ensure the TIF debt certification complies with Chapter 403 of the Code of Iowa.

Response – The City will consult TIF legal counsel, make corrections to the TIF certification and ensure the future certifications are in compliance with the Code of Iowa requirements.

Conclusion – Response acknowledged.

City of Vinton

Schedule of Findings

Year ended June 30, 2019

- II-O-19 Disbursement Approval - The City Council approves disbursements at each monthly meeting after the invoices have been paid.

Recommendation – The City should adopt a written disbursement policy to allow payment of certain bills prior to City Council approval. All City disbursements should be approved by the City Council prior to disbursement with the exception of those specifically allowed by policy.

Response – We are now paying our invoices twice a month, after approval by the City Council. However, we still do pay a few invoices prior to the City Council approval, and we will develop a policy on the payment of these invoices prior to City Council approval.

Conclusion – Response acknowledged.

- II-P-19 Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City’s Annual Financial Report contain a “summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures...” The City’s Annual Financial Report reported ending cash and debt amounts which do not agree with the City’s records.

Recommendation – The City should ensure all amounts included in future Annual Financial Reports are supported by the amounts recorded in the City’s records.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- II-Q-19 Annual Urban Renewal Report (AURR) – The AURR was approved and certified to the Iowa Department of Management on or before December 1. However, the amounts reported on the Levy Authority Summary Form on the AURR could not be supported by City records.

Recommendation - The City should ensure the amounts reported on the Levy Authority Summary Form are supported by the City’s records.

Response – These items will be corrected on next year’s report.

Conclusion – Response acknowledged.

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## APPENDIX E

### BOOK-ENTRY SYSTEM

*The information in this Appendix concerning The Depository Trust Company, New York, New York (“DTC”) and DTC’s book-entry system has been obtained from DTC. Neither the Underwriter nor the Issuer take responsibility for the accuracy or completeness thereof, or for any material changes in such information subsequent to the date hereof, or for any information provided at the web sites referenced below. Beneficial Owners should confirm the following with DTC or the Direct Participants (as hereinafter defined). So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references in the Official Statement to the Bondowners or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.*

#### **Book-Entry System**

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for series of the Bonds, each in the aggregate principal amount of such series, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the

Direct Participant as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or Trustee, on any payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer does not take any responsibility for the accuracy thereof.