

CITY OF WINTERSET, IOWA

INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
COMMENTS AND RECOMMENDATIONS

Year Ended June 30, 2006

CITY OF WINTERSET, IOWA
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CITY OF WINTERSET, IOWA
 CITY OFFICIALS
 June 30, 2006

<u>Name</u>	<u>Title</u> (Before January 2006)	<u>Term Expires</u>
Jerry Schwertfeger	Mayor	January 1, 2006
Jim Olson	Council Member/Mayor Pro tem	January 1, 2008
Steve Montross	Council Member	January 1, 2006
Edmund Seaward	Council Member	January 1, 2006
Howard Harrell	Council Member	January 1, 2008
Mary Ann Orr	Council Member	January 1, 2008
Mark Nitchals	City Administrator	Indefinite
John Casper	Attorney	Indefinite
(After January 2006)		
James Olson	Mayor	January 1, 2008
Howard Harrell	Council Member/Mayor Pro tem	January 1, 2008
Steve Montross	Council Member	January 1, 2008
Edmund Seaward	Council Member	January 1, 2010
Philip Macumber	Council Member	January 1, 2010
Mary Ann Orr	Council Member	January 1, 2008
Mark Nitchals	City Administrator	Indefinite
John Casper	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

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

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 Winterset, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Winterset's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The financial statements referred to above include only the primary government of the City of Winterset, Iowa, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which U.S. generally accepted accounting principles require to be reported with the financial data of the City's primary government. As a result, the financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the City of Winterset, Iowa, as of June 30, 2006, and the changes in its financial position, for the year then ended in conformity with U.S. generally accepted accounting principles. In accordance with U.S. generally accepted accounting principles, City of Winterset, Iowa, has issued separate reporting entity financial statements for which we have issued our report dated June 13, 2006.

To the Honorable Mayor and
Members of the City Council
City of Winterset

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 primary government of the City of Winterset, Iowa, as of June 30, 2006, 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.

In accordance with Government Auditing Standards, we have also issued our report dated January 9, 2007, on our consideration of City of Winterset, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 26 through 27 are not required parts of the primary government basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise the City of Winterset, Iowa's primary government financial statements. In accordance with the standards referred to in the second paragraph of this report, the primary government financial statements for the three years ended June 30, 2005 (none of which are presented herein) were audited by other auditors and they expressed unqualified opinions on those primary government financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the primary government financial statements. Such information, except for that portion marked "unaudited" (Schedule 5) on which we express no opinion, has been subjected to the auditing procedures applied in our audits of the primary government financial statements and, in our opinion, is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.

Drapen, Smidgrass, Mickelson + Co., P.C.

January 9, 2007

CITY OF WINTERSET

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Winterset 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, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2006 Financial Highlights

Revenues of the City decreased by 38.2% compared to the previous year. However, the previous year included the proceeds of municipal bonds that financed various capital improvement projects. When bond revenues are not factored in, revenues actually increased by 15.1% compared to the previous year.

Disbursements of the City decreased by over 70% compared to the previous year. However, the previous year included the aforementioned capital improvement projects, when these capital projects are not factored in, disbursements increased by about 15.8%.

The City's total cash fund balance during FY 2006 decreased by about \$2.7 million. This decrease is attributed to the expenditure of bond proceeds on hand at the beginning of the fiscal year that was spent on capital improvement projects.

Using This Annual Report

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a statement of activities and net assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

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

Other Supplementary Information provides detailed information about the non-major governmental funds.

Basis of Accounting

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

Reporting the City's Financial Activities

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property taxes and user fees finance most of these activities, with bond issue proceeds and state and federal grants financing capital improvement projects.
- Business Type Activities include the sanitary sewer system. This activity is 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 Tax Increment Financing, (3) the Debt Service Funds, and (4) the Capital Projects Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Fund. The Enterprise Fund is used to report business type activities. The City Enterprise Fund provides separate information for the Sanitary Sewer Utility Fund, considered to be a major fund of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities as of June 30, 2006 is \$1,874,000. The cash balance from the previous year was \$4,595,000 but \$3,165,000 of that fund balance was bond proceeds reserved for on-going construction projects and for the advance refunding of an outstanding bond issue, leaving a net cash balance on June 30, 2005 of \$1,430,000.

The proprietary fund ending balance decreased from \$540,000 down to \$488,000, a decrease of about \$52,000. This decrease is attributed to the expenditure of reserves in the sewer system improvement funds.

The City decreased property tax rates for 2006 by 1.2 percent. However, due to an increase in taxable valuations, property tax receipts increased by 2.3%, even with lower tax rates.

The analysis that follows focuses on the cash basis net assets for FY 2005 as compared to the previous year for the governmental funds.

Change in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)

	<u>Year Ended June 30,</u>	
	<u>2006</u>	<u>2005</u>
RECEIPTS AND TRANSFERS:		
Property tax	\$ 1,856	\$ 1,815
TIF revenue	770	713
Other City taxes	312	211
License and permits	29	30
Use of money and property	123	55
Intergovernmental	730	792
Charges for service	163	113
Special assessments	252	209
Miscellaneous	1,202	1,119
Sale of assets	1	5
Bond proceeds	<u>811</u>	<u>4,594</u>
TOTAL RECEIPTS AND TRANSFERS	<u>\$ 6,249</u>	<u>\$ 9,656</u>

	<u>Year Ended June 30,</u>	
	<u>2006</u>	<u>2005</u>
EXPENDITURES AND TRANSFERS OUT:		
Public safety	\$ 714	\$ 759
Public works	507	508
Health and social services	3	3
Culture and recreation	828	697
Community and economic development	295	384
General government	354	339
Debt service	1,413	1,079
Capital projects	3,946	1,470
Business type activities	<u>910</u>	<u>856</u>
TOTAL DISBURSEMENTS	<u>\$ 8,970</u>	<u>\$ 6,095</u>
Increase (decrease) in cash basis net assets	\$(2,721)	\$ 3,561
Cash basis net assets, beginning of year	<u>4,595</u>	<u>1,034</u>
Cash basis net assets, end of year	<u>\$ 1,874</u>	<u>\$ 4,595</u>
Less:		
Cash in escrow for bond refunding	\$ 791	\$ 791
Cash for capital projects	<u>---</u>	<u>2,374</u>
Unrestricted cash balances	<u>\$ 1,083</u>	<u>\$ 1,430</u>

The analysis that follows focuses on the cash basis net assets for FY 2006 as compared to the previous year for the proprietary enterprise funds.

Changes in Cash Basis Net Assets of Business Type Activities
(Expressed in Thousands)

	<u>Year Ended June 30,</u>	
	<u>2006</u>	<u>2005</u>
RECEIPTS:		
Use of money and property	\$ 19	\$ 53
Charges for service	797	739
Miscellaneous	<u>2</u>	<u>---</u>
TOTAL RECEIPTS AND TRANSFERS	<u>\$ 818</u>	<u>\$ 792</u>
EXPENDITURES AND TRANSFERS OUT:		
Sewer operations	\$ 331	\$ 343
Capital projects	104	51
Sewer debt service	435	455
Debt refunding	<u>---</u>	<u>2,394</u>
TOTAL DISBURSEMENTS	<u>\$ 870</u>	<u>\$ 3,243</u>
Increase/decrease in cash basis net assets	\$ (52)	\$(2,451)
Cash basis net assets, beginning of year	<u>540</u>	<u>2,991</u>
Cash basis net assets, end of year	<u>\$ 488</u>	<u>\$ 540</u>

Individual Major Governmental Fund Analysis

As the City of Winterset completed the year, its governmental funds reported a combined fund balance of about \$1,874,000, of which \$791,000 was held for bond refunding. On June 1, 2005, the City issued a \$1,585,000 bond, of which \$791,000 was put into escrow for the eventual refunding of the 1999 general obligation bond issue. These bond proceeds will be held in escrow until June 1, 2008 when the 1999 bonds will be called in for early redemption.

Within the governmental funds, the various funds of the City were affected differently. The General Fund saw an increase of \$86,560 from the prior year to a cash balance of \$343,315. This is the largest ending fund balance in the General Fund in years, and reflects the efforts of the City to improve the General Fund balance.

The various funds that make up the special revenue funds realized a minor decrease in cash balance of \$67,077 during the fiscal year. Special revenue funds include the Road Use Tax Fund, the Trust & Agency Fund, the Local Option Sales Tax Fund, and the various TIF funds.

The Debt Service fund cash balance decreased slightly from \$1,241,800 to \$1,199,140 during the fiscal year. Much of this fund balance is \$790,000 of the 2005 G.O. bond proceeds that are held in escrow by a trustee for the advance refunding of the 1999 G.O. bond issue.

The various Capital Project funds cash balance decreased significantly \$2,697,600. Much of this decrease is attributed to the Aquatic Center bond proceeds which had unexpended bond proceeds on hand at the end of the previous fiscal year that was expended during this next fiscal year.

The Sewer Utility Fund cash balance decreased by about \$51,500 during this fiscal year. This decrease in cash balance is attributed to a sewer capital improvement project of \$103,900.

Budgetary Highlights

The disbursement and expenditures of the City of Winterset are controlled by the annual budget adopted by the City Council. The original budget for FY 2006 was approved by the City Council on March 7, 2005, and later amended on May 1, 2006. The budget amendment was necessary primarily because of increased debt service payments, increased capital improvement projects, and an increase in operational costs at the new Aquatic Center which opened in June 2006. The new Aquatic Center proved to be a big hit with record attendance during the first summer of operation. For the first time, revenues of the Aquatic Center essentially equaled the operational expenses.

Debt Administration

The City's total debt decreased by \$351,000 from June 30, 2005 to June 30, 2006, as shown below:

Outstanding Debt at Year End (Expressed in Thousands)

	Year Ended June 30,	
	<u>2006</u>	<u>2005</u>
General obligation bonds/notes	\$ 5,227	\$ 5,002
Urban renewal tax increment financing		
Revenue bonds	2,955	3,105
Sewer revenue bonds	3,034	3,354
Special assessment bonds	820	926
Local option sales tax bond	<u>2,700</u>	<u>2,700</u>
Total debt	<u>\$14,736</u>	<u>\$15,087</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. General obligation debt and tax increment financing debt is subjected to the debt limit. The City's combined general obligation and tax increment financing debt of \$9,885,000 was below the constitutional debt limit of \$10,514,654. However, the City is within \$630,000 of the debt limit, and care will need to be exercised in financing future capital improvement projects with such a small remaining debt capacity. During future years, the bond payment schedules provide for \$650,000 to \$1,000,000 in bonds to be retired, which will help restore debt capacity.

Economic Factors and Next Year's Budget and Rates

The City of Winterset's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates, and fees that will be charged for various City activities. Economic factors in the area remain steady, keeping our unemployment rate at one of the lowest the state. With the close proximity of Winterset to Des Moines metro area, the local economy is tied very closely to Des Moines metro area economy. The housing market is strong in Winterset. During calendar year 2005, 30 building permits were issued for new houses, and these homes were included in the taxable valuations for FY 2006-07. In addition, several new subdivisions were approved in the City of Winterset, making a number of new residential and commercial building lots available.

These indicators were taken into account when adopting the budget for fiscal year 2007. For the operating budget, not including capital improvement projects, appropriations are increased by about 4.7% compared to the 2006 budget. Capital improvement projects in the 2007 budget include continued construction work on the next phase of the downtown streetscape project, a major street paving project, and sewer line extensions. The budget for capital project expenditures decreased by about \$1.7 million compared to the previous fiscal year.

Revenue associated with the operating funds of the City are projected to increase by about 5.7%. Property tax revenues are projected to increase by about 1.9%. The tax rate for FY 2007 will decrease by 2.7%, while taxable valuations increased by 5.3% for FY 2007. For FY 2007, after calculating in the state mandated rollback and then applying the City tax rate, the City property taxes on a typical house valued at \$100,000 actually decreased by \$53, or a reduction of 6.7%.

The City's cash balance is expected to increase by approximately \$200,000 during FY 2007.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mark Nitchals, City Administrator, 124 West Court Avenue, Winterset, Iowa 50273.

FINANCIAL STATEMENTS

CITY OF WINTERSET, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
As of and for the Year Ended June 30, 2006

Exhibit A

	Disbursements	PROGRAM RECEIPTS		
		Charges For Services	Operating Grants Contributions, and Restricted Interest	Capital Grants Contributions and Restricted Interest
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 714,439	\$ 52,395	\$ 71,221	\$ -
Public works	507,333	2,713	399,203	-
Health and social services	3,000	-	-	-
Culture and recreation	827,767	230,470	25,068	-
Community/economic development	294,662	-	-	-
General government	353,632	11,197	-	-
Debt service	1,412,611	-	28,938	-
Capital projects	3,945,896	-	-	197,511
Business type activities	750	844	-	-
Total governmental activities	<u>\$ 8,060,090</u>	<u>\$ 297,619</u>	<u>\$ 524,430</u>	<u>\$ 197,511</u>
Business type activities:				
Sewer	\$ 869,807	\$ 797,107	\$ 18,645	\$ -
Utility reimbursement	909,618	-	-	-
Total business type activities	<u>\$ 1,779,425</u>	<u>\$ 797,107</u>	<u>\$ 18,645</u>	<u>\$ -</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 9,839,515</u>	<u>\$ 1,094,726</u>	<u>\$ 543,075</u>	<u>\$ 197,511</u>

GENERAL RECEIPTS:

Property taxes levied for:
General purposes
Tax incremental financing
Employee benefits
Debt service
Emergency
Hotel/motel sales tax
Payment in lieu of taxes
Local option sales tax
Interest on investments
Bond/note proceeds
Miscellaneous
Sale of assets

TOTAL GENERAL RECEIPTS

CHANGE IN CASH BASIS NET ASSETS

CASH BASIS NET ASSETS, BEGINNING OF YEAR

CASH BASIS NET ASSETS, END OF YEAR

CASH BASIS NET ASSETS:

Restricted:
Streets
Employee benefits
Urban renewal purposes
Debt service/maintenance
Other purposes

Unrestricted

TOTAL CASH BASIS NET ASSETS

The Notes to Financial Statements are an integral part of this statement

**NET (DISBURSEMENTS) RECEIPTS AND
CHANGES IN CASH BASIS NET ASSETS**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (590,823)	\$ -	\$ (590,823)
(105,417)	-	(105,417)
(3,000)	-	(3,000)
(572,229)	-	(572,229)
(294,662)	-	(294,662)
(342,435)	-	(342,435)
(1,383,673)	-	(1,383,673)
(3,748,385)	-	(3,748,385)
94	-	94
<u>\$ (7,040,530)</u>	<u>\$ -</u>	<u>\$ (7,040,530)</u>
\$ -	\$ (54,055)	\$ (54,055)
-	(909,618)	(909,618)
<u>\$ -</u>	<u>\$ (963,673)</u>	<u>\$ (963,673)</u>
<u>\$ (7,040,530)</u>	<u>\$ (963,673)</u>	<u>\$ (8,004,203)</u>
\$ 1,025,434	\$ -	\$ 1,025,434
769,518	-	769,518
401,312	-	401,312
651,997	-	651,997
28,919	-	28,919
22,220	-	22,220
204,000	-	204,000
289,308	-	289,308
42,822	-	42,822
810,713	-	810,713
72,109	912,093	984,202
1,378	-	1,378
<u>\$ 4,319,730</u>	<u>\$ 912,093</u>	<u>\$ 5,231,823</u>
\$ (2,720,800)	\$ (51,580)	\$ (2,772,380)
<u>4,595,297</u>	<u>539,745</u>	<u>5,135,042</u>
<u>\$ 1,874,497</u>	<u>\$ 488,165</u>	<u>\$ 2,362,662</u>
\$ 109,700	\$ -	\$ 109,700
98,875	-	98,875
177,465	-	177,465
937,139	484,722	1,421,861
208,003	-	208,003
343,315	3,443	346,758
<u>\$ 1,874,497</u>	<u>\$ 488,165</u>	<u>\$ 2,362,662</u>

CITY OF WINTERSET, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS

As of and for the Year Ended June 30, 2006

Exhibit B

	SPECIAL REVENUE			
	General	Road Use Tax	Employee Benefits	Tax Increment Financing
RECEIPTS:				
Property taxes	\$ 1,025,434	\$ -	\$ 401,312	\$ -
Tax increment financing collections	-	-	-	769,518
Other city taxes	22,220	-	-	-
Licenses and permits	28,568	-	-	-
Use of money and property	37,146	-	-	-
Intergovernmental	308,260	399,203	-	-
Charges for service	162,774	-	-	-
Special assessments	-	-	-	-
Miscellaneous	124,237	-	7,511	-
Total receipts	<u>\$ 1,708,639</u>	<u>\$ 399,203</u>	<u>\$ 408,823</u>	<u>\$ 769,518</u>
DISBURSEMENTS:				
Operating:				
Public safety	\$ 559,066	\$ -	\$ 150,463	\$ -
Public works	36,015	404,029	67,289	-
Health and social services	3,000	-	-	-
Culture and recreation	635,137	-	129,518	-
Community/economic development	46,125	-	-	214,898
General government	307,540	-	46,092	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Business type activities	750	-	-	-
Total disbursements	<u>\$ 1,587,633</u>	<u>\$ 404,029</u>	<u>\$ 393,362</u>	<u>\$ 214,898</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$ 121,006</u>	<u>\$ (4,826)</u>	<u>\$ 15,461</u>	<u>\$ 554,620</u>
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	\$ 1,378	\$ -	\$ -	\$ -
Bond proceeds, net	-	-	-	-
Operating transfers in	28,919	-	-	2,535
Operating transfers out	(64,743)	-	-	(646,186)
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (34,446)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (643,651)</u>
NET CHANGE IN CASH BALANCES	\$ 86,560	\$ (4,826)	\$ 15,461	\$ (89,031)
CASH BALANCES, BEGINNING OF YEAR	256,755	114,526	83,414	266,496
CASH BALANCES, END OF YEAR	<u>\$ 343,315</u>	<u>\$ 109,700</u>	<u>\$ 98,875</u>	<u>\$ 177,465</u>
CASH BASIS FUND BALANCES:				
Reserved:				
Debt service	\$ -	\$ -	\$ -	\$ -
Unreserved:				
General fund	343,315	-	-	-
Special revenue funds	-	109,700	98,875	177,465
Capital projects fund	-	-	-	-
Permanent fund	-	-	-	-
TOTAL CASH BASIS FUND BALANCES	<u>\$ 343,315</u>	<u>\$ 109,700</u>	<u>\$ 98,875</u>	<u>\$ 177,465</u>

The Notes to Financial Statements are an integral part of this statement

Debt Service	CAPITAL PROJECTS			Other Nonmajor Governmental Funds	Total
	Aquatic Center Project	Paving Project	Downtown Improvement Project		
\$ 400,650	\$ -	\$ -	\$ -	\$ 28,919	\$ 1,856,315
-	-	-	-	-	769,518
-	-	-	-	289,308	311,528
-	-	-	-	-	28,568
28,938	51,112	-	-	5,967	123,163
-	-	-	22,975	-	730,438
-	-	-	-	-	162,774
251,347	-	-	-	556	251,903
12,205	122,868	-	-	26,171	292,992
<u>\$ 693,140</u>	<u>\$ 173,980</u>	<u>\$ -</u>	<u>\$ 22,975</u>	<u>\$ 350,921</u>	<u>\$ 4,527,199</u>
\$ -	\$ -	\$ -	\$ -	\$ 4,910	\$ 714,439
-	-	-	-	-	507,333
-	-	-	-	-	3,000
-	-	-	-	63,112	827,767
-	-	-	-	33,639	294,662
-	-	-	-	-	353,632
1,412,611	-	-	-	-	1,412,611
-	2,586,003	500,515	786,081	73,297	3,945,896
-	-	-	-	-	750
<u>\$ 1,412,611</u>	<u>\$ 2,586,003</u>	<u>\$ 500,515</u>	<u>\$ 786,081</u>	<u>\$ 174,958</u>	<u>\$ 8,060,090</u>
<u>\$ (719,471)</u>	<u>\$ (2,412,023)</u>	<u>\$ (500,515)</u>	<u>\$ (763,106)</u>	<u>\$ 175,963</u>	<u>\$ (3,532,891)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,378
-	-	-	785,713	25,000	810,713
676,810	120,000	-	75,000	82,867	986,131
(2,535)	-	-	-	(272,667)	(986,131)
<u>\$ 674,275</u>	<u>\$ 120,000</u>	<u>\$ -</u>	<u>\$ 860,713</u>	<u>\$ (164,800)</u>	<u>\$ 812,091</u>
\$ (45,196)	\$ (2,292,023)	\$ (500,515)	\$ 97,607	\$ 11,163	\$ (2,720,800)
982,335	2,373,825	63,947	(201,075)	655,074	4,595,297
<u>\$ 937,139</u>	<u>\$ 81,802</u>	<u>\$ (436,568)</u>	<u>\$ (103,468)</u>	<u>\$ 666,237</u>	<u>\$ 1,874,497</u>
\$ 937,139	\$ -	\$ -	\$ -	\$ -	\$ 937,139
-	-	-	-	-	343,315
-	-	-	-	668,795	1,054,835
-	81,802	(436,568)	(103,468)	(2,558)	(460,792)
-	-	-	-	-	-
<u>\$ 937,139</u>	<u>\$ 81,802</u>	<u>\$ (436,568)</u>	<u>\$ (103,468)</u>	<u>\$ 666,237</u>	<u>\$ 1,874,497</u>

CITY OF WINTERSET, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
PROPRIETARY FUND
As of and for the Year Ended June 30, 2006

Exhibit C

	Enterprise		Total
	Sewer	Utility Reimbursement	
OPERATING RECEIPTS:			
Use of money and property	\$ 18,645	\$ -	\$ 18,645
Charge for service	797,107	-	797,107
Miscellaneous	2,475	909,618	912,093
Total operating receipts	<u>\$ 818,227</u>	<u>\$ 909,618</u>	<u>\$1,727,845</u>
OPERATING DISBURSEMENTS:			
Business type activities	<u>\$ 869,807</u>	<u>\$ 909,618</u>	<u>\$1,779,425</u>
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS (OVER) UNDER OPERATING DISBURSEMENTS	<u>\$ (51,580)</u>	<u>\$ -</u>	<u>\$ (51,580)</u>
CASH BALANCES, BEGINNING OF YEAR	<u>539,745</u>	<u>-</u>	<u>539,745</u>
CASH BALANCES, END OF YEAR	<u>\$ 488,165</u>	<u>\$ -</u>	<u>\$ 488,165</u>
CASH BASIS FUND BALANCES:			
Reserved for debt service/maintenance	\$ 484,722	\$ -	\$ 484,722
Unreserved	3,443	-	3,443
Total cash basis fund balances	<u>\$ 488,165</u>	<u>\$ -</u>	<u>\$ 488,165</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF WINTERSET, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1. Summary of Significant Accounting Policies

The City of Winterset, Iowa is a political subdivision of the State of Iowa located in Madison County. It was first incorporated in 1854 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides sewer service for its citizens.

Reporting Entity

For financial reporting purposes, the City of Winterset has included all funds, organizations, agencies, boards, commissions and authorities, except for its component unit, the Winterset Municipal Utilities. 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 primary government 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 primary government financial statements present the City of Winterset (the primary government) and exclude the component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. It has not been included in these primary government financial statements, which present the primary government only. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from its administrative office.

Component Unit

The Winterset Municipal Utilities is a component unit of the City of Winterset and is not presented in these primary government financial statements. It is legally separate from the City, but is financially accountable to the City. The Utilities is governed by a three-member board appointed by the City Council and the Utilities' operating budget is subject to the approval of the City Council.

CITY OF WINTERSET, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

Jointly Governed Organizations

The City participates in a few 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 commission: County Emergency Management Commission, Central Iowa Regional Transportation Planning Alliance Board, and the Fire Mutual Aid Executive Board.

The City also participates in a joint venture. The City has an official that is a member of the South Central Iowa Landfill Agency Board. The City has an ongoing financial responsibility. (See Note 9)

Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

CITY OF WINTERSET, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

Fund Financial Statements – Separate primary government 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 primary government fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

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

Special Revenue:

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

The Employee Benefit Fund is used to account for tax revenue for the use of payments for employee benefits.

The Tax Increment Financing Fund is used to account for urban renewal projects financed by tax increment financing.

Debt Service:

The General Obligation Bonds/Notes Fund is used to account for the payment of interest and principal on the City's general long-term debt.

Capital Projects:

The Aquatic Center Project Fund is used to account for the construction of the new aquatic center.

The Paving Project Fund is used to account for the City's street paving project.

The Downtown Improvement Project is used to account for the construction of downtown improvements.

CITY OF WINTERSET, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

The City reports the following major proprietary fund:

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Utility Reimbursement Fund accounts for reimbursements from the City's component unit Winterset Municipal Utilities for payroll disbursements.

Measurement Focus and Basis of Accounting

The City of Winterset, Iowa maintains its financial records on the basis of cash receipts and disbursements and the primary government 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 primary government financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

The City's deposits in banks at June 30, 2006, 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.

CITY OF WINTERSET, IOWA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2006

Note 2. Cash and Pooled Investments (continued)

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

The City's investments at June 30, 2006, are as follows:

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Government securities	<u>\$ 790,452</u>	<u>\$ 790,452</u>

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Note 3. Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and notes, sewer refunding notes, special assessment bonds and notes, urban renewal tax increment financing bonds, and state revolving loans are as follows:

<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>		<u>General Obligation Notes</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 195,000	\$ 213,738	\$ 280,000	\$ 104,793
2008	200,000	208,959	290,000	93,431
2009	310,000	202,199	300,000	81,281
2010	345,000	191,581	315,000	68,458
2011	355,000	179,013	325,000	54,573
2012-2016	2,150,000	653,384	860,000	89,408
2017-2021	1,045,000	286,422	---	---
2022-2025	750,000	74,938	---	---
TOTAL	<u>\$5,350,000</u>	<u>\$2,010,234</u>	<u>\$2,370,000</u>	<u>\$ 491,944</u>

CITY OF WINTERSET, IOWA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2006

Note 3. Bonds and Notes Payable (continued)

Year Ending June 30,	Sewer Refunding Notes		Special Assessment Capital Loan	
	Principal	Interest	Principal	Interest
2007	\$ 285,000	\$ 73,110	\$ 70,000	\$ 21,806
2008	295,000	65,700	70,000	18,673
2009	300,000	57,145	55,000	15,433
2010	310,000	47,695	40,000	12,895
2011	320,000	37,155	45,000	11,055
2012-2016	670,000	38,895	170,000	24,505
2017-2021	---	---	---	---
2022-2025	---	---	---	---
TOTAL	<u>\$2,180,000</u>	<u>\$ 319,700</u>	<u>\$ 450,000</u>	<u>\$ 104,367</u>

Year Ending June 30,	Special Assessment Bonds		Urban Renewal Tax Increment Financing Revenue Bonds	
	Principal	Interest	Principal	Interest
2007	\$ 40,000	\$ 14,265	\$ 180,000	\$ 180,926
2008	40,000	12,945	195,000	169,073
2009	40,000	11,565	200,000	156,136
2010	40,000	10,125	385,000	142,835
2011	40,000	8,625	420,000	119,275
2012-2016	170,000	18,290	1,575,000	232,433
2017-2021	---	---	---	---
2022-2025	---	---	---	---
TOTAL	<u>\$ 370,000</u>	<u>\$ 75,815</u>	<u>\$2,955,000</u>	<u>\$1,000,678</u>

Year Ending June 30,	State Revolving Loans		Total	
	Principal	Interest	Principal	Interest
2007	\$ 47,000	\$ 33,477	\$ 1,097,000	\$ 642,115
2008	49,000	31,634	1,139,000	600,415
2009	50,000	29,713	1,255,000	553,472
2010	53,000	27,753	1,488,000	501,342
2011	54,000	25,676	1,559,000	435,372
2012-2016	309,000	94,549	5,904,000	1,151,464
2017-2021	292,000	29,124	1,337,000	315,546
2022-2025	---	---	750,000	74,938
TOTAL	<u>\$ 854,000</u>	<u>\$ 271,926</u>	<u>\$14,529,000</u>	<u>\$4,274,664</u>

CITY OF WINTERSET, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 3. Bonds and Notes Payable (continued)

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City, however, the debt is subject to the constitutional debt limitation of the City.

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

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to the sewer revenue bond sinking account for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly reserve transfers of \$10,000 shall be made to a sewer system improvement account until a minimum of \$240,000 is accumulated. This account is restricted for the purpose of paying for deficiencies to the sinking accounts, payments of the note principal and interest and for any additional improvements or extensions.
- (d) A sum of \$245,500 shall be set apart and put into a reserve account. Any deficiencies in the reserve account shall be reimbursed from the net operating revenues of the sewer fund after its required contributions to the sinking and improvement reserve accounts.

The resolutions providing for the issuance of the urban renewal tax increment financing bonds include the following provisions:

A sum of \$262,000 shall be set apart and put into a reserve account for the purpose of making the bond principal and interest payments when due.

CITY OF WINTERSET, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 3. Bonds Payable and Other Debt (continued)

General Obligation Refunding Bonds

On June 1, 2005, the City issued \$790,000 of general obligation refunding bonds, with interest rates ranging from 2.95% to 4.00%, for a crossover refunding of a portion of the general obligation sewer improvement notes issued August 1, 1999. The City entered into an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. Securities. These securities along with additional cash were placed in an escrow account for the express purpose of paying the \$790,000 principal on the refunded general obligation sewer improvement notes when they become callable on June 1, 2008 and the interest from June 1, 2005 to and including June 1, 2008 on the refunding bonds. After the principal and interest on all of the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the City. The transactions and balances of the escrow account are recorded by the City since the refunded debt is not considered extinguished.

Note 4. Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75%. 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 years ended June 30, 2006, 2005, and 2004 was \$70,172, \$70,172, and \$62,189 respectively, equal to the required contributions for each year.

CITY OF WINTERSET, IOWA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2006

Note 5. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation sick leave, compensatory and personal hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. Sick leave is only paid out at retirement and is limited to twenty-five percent of the employee's accrual. The City's approximate liability for earned compensated absences payable to employees at June 30, 2006, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 46,742
Sick leave	<u>51,809</u>
Total	<u>\$ 98,551</u>

This liability has been computed based on rates of pay as of June 30, 2006.

Note 6. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special revenue: Emergency	<u>\$ 28,919</u>
Debt service	General Special revenue: Tax increment financing Local option tax	\$ 64,744 488,318 <u>123,748</u> <u>\$ 676,810</u>
Special revenue: Tax increment financing	Debt service	<u>\$ 2,535</u>
LMI grant fund	Special revenue: Tax increment financing	 <u>\$ 38,604</u>

CITY OF WINTERSET, IOWA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2006

Note 6. Interfund Transfers (continued)

Capital projects:		
Aquatic center project	Special revenue:	
	Local option sales tax	<u>\$ 120,000</u>
Downtown improvement project	Special revenue:	
	Tax increment financing	<u>\$ 75,000</u>
Sewer improvement project	Special revenue:	
	Tax increment financing	<u>\$ 23,663</u>
Airport improvement	Special revenue:	
	Tax increment financing	<u>\$ 20,600</u>
Total		<u>\$ 986,131</u>

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

Note 7. Related Party Transactions

The City had business transactions between the City and City officials totaling \$255 during the year ended June 30, 2006.

Note 8. 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.

CITY OF WINTERSET, IOWA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2006

Note 9. South Central Iowa Landfill Agency

The City, in conjunction with the City of Indianola and Madison County, has created the South Central Iowa Landfill Agency. The Agency was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. On dissolution of the corporation, the net assets of the Agency will be prorated among the municipalities. The Agency is governed by a board composed of elected representatives of the governing body of each participating governmental jurisdiction.

The Agency may not be accumulating sufficient financial resources and the municipalities may be obligated for a proportionate share of the debt, therefore, the City has an ongoing financial obligation.

Completed financial statements for the Agency can be obtained from the Agency.

Note 10. Capital Lease

On June 21, 2005, the City entered into a lease purchase agreement for a sewer vac truck with F&M Bank. The City is to make annual payment of \$31,177 through July 10, 2013. The future minimum lease payment under the capital lease and the net present value of the future minimum lease payments are as follows:

	Year Ended June 30,		
Total future minimum lease payments:	2007	\$	31,177
	2008		31,177
	2009		31,177
	2010		31,177
	2011		31,177
	2012		31,177
	2013		31,176
	2014		<u>31,176</u>
		\$	249,414
Less amount representing interest			<u>(42,121)</u>
Present value of future minimum lease Payments			<u>\$ 207,293</u>

CITY OF WINTERSET, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 11. Deficit Fund Balances

The Capital Projects, Downtown Improvement Project Fund had a deficit balance of \$103,468, Paving Project had a deficit balance of \$436,568, and the Sidewalk Project had a deficit balance of \$2,558 at June 30, 2006. The deficit balances were a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon a transfer of funds.

Note 12. Litigation

The City was a party to litigation in a pending suit in the Iowa District Court for Polk County at June 30, 2006. This action has since been dismissed against the City.

Note 13. Subsequent Events

In July 2006, the City approved the issuance of Street Improvement Warrants Series 2006B in the amount of \$1,620,000 for street improvements.

In August 2006, the City approved providing matching funds of \$75,000 for the proposed John Wayne Birthplace and Learning Center improvements subject to receiving applied for grant funds.

In September 2006, the City approved the purchase of approximately 15 acres of land at a cost of \$300,000.

In November 2006, the City approved a sewer revenue lease/purchase agreement for the Cedar Woods sewer system in the amount of \$500,000.

In December 2006, the City approved a lease/purchase agreement for the purchase of a new fire truck in the amount of \$134,798.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WINTERSET, IOWA
 BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS
 AND CHANGES IN BALANCES - ACTUAL TO BUDGET (CASH BASIS) -
 ALL GOVERNMENTAL AND PROPRIETARY FUNDS
 Year Ended June 30, 2006

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Net</u>
RECEIPTS:			
Property tax	\$ 1,856,315	\$ -	\$ 1,856,315
Tax increment financing collections	769,518	-	769,518
Other city tax	311,528	-	311,528
Licenses and permits	28,568	-	28,568
Use of money and property	123,163	18,645	141,808
Intergovernmental	730,438	-	730,438
Charges for service	162,774	797,107	959,881
Special assessments	251,903	-	251,903
Miscellaneous	292,992	912,093	1,205,085
TOTAL RECEIPTS	<u>\$ 4,527,199</u>	<u>\$ 1,727,845</u>	<u>\$ 6,255,044</u>
DISBURSEMENTS:			
Public safety	\$ 714,439	\$ -	\$ 714,439
Public works	507,333	-	507,333
Health and social services	3,000	-	3,000
Culture and recreation	827,767	-	827,767
Community and economic development	294,662	-	294,662
General government	353,632	-	353,632
Debt service	1,412,611	-	1,412,611
Capital projects	3,945,896	-	3,945,896
Business type activities	750	1,779,425	1,780,175
TOTAL DISBURSEMENTS	<u>\$ 8,060,090</u>	<u>\$ 1,779,425</u>	<u>\$ 9,839,515</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (3,532,891)	\$ (51,580)	\$ (3,584,471)
OTHER FINANCING SOURCES, NET	<u>812,091</u>	<u>-</u>	<u>812,091</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	\$ (2,720,800)	\$ (51,580)	\$ (2,772,380)
BALANCE, BEGINNING OF YEAR	<u>4,595,297</u>	<u>539,745</u>	<u>5,135,042</u>
BALANCE, END OF YEAR	<u>\$ 1,874,497</u>	<u>\$ 488,165</u>	<u>\$ 2,362,662</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
\$ 1,823,012	\$ 1,823,012	\$ 33,303
740,000	740,000	29,518
273,784	335,414	(23,886)
26,450	26,450	2,118
23,100	107,522	34,286
880,420	880,420	(149,982)
991,950	995,950	(36,069)
135,000	245,000	6,903
281,219	1,054,519	150,566
<u>\$ 5,174,935</u>	<u>\$ 6,208,287</u>	<u>\$ 46,757</u>
\$ 726,192	\$ 726,192	\$ 11,753
514,125	514,125	6,792
3,000	3,000	-
750,097	834,052	6,285
290,000	365,000	70,338
356,835	363,835	10,203
1,160,933	1,413,714	1,103
3,770,600	4,225,600	279,704
1,146,673	2,061,674	281,499
<u>\$ 8,718,455</u>	<u>\$ 10,507,192</u>	<u>\$ 667,677</u>
\$ (3,543,520)	\$ (4,298,905)	\$ (714,434)
<u>1,382,000</u>	<u>1,257,113</u>	<u>445,022</u>
\$ (2,161,520)	\$ (3,041,792)	<u><u>\$ (269,412)</u></u>
<u>4,158,543</u>	<u>5,130,422</u>	
<u><u>\$ 1,997,023</u></u>	<u><u>\$ 2,088,630</u></u>	

CITY OF WINTERSET, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2006

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$908,465 and \$1,788,737 respectively. The budget amendment is reflected in the final budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

CITY OF WINTERSET, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2006

Schedule 1

	Special Revenue			
	Local Option Tax	Emergency	LMI Grant Fund	Tax Increment Financing Reserve
RECEIPTS:				
Property tax	\$ -	\$ 28,919	\$ -	\$ -
Tax increment financing collections	-	-	-	-
Other city tax	289,308	-	-	-
Licenses and permits	-	-	-	-
Uses of money and property	5,675	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	-	-	-	-
TOTAL RECEIPTS	\$ 294,983	\$ 28,919	\$ -	\$ -
DISBURSEMENTS:				
Operating:				
Public safety	\$ -	\$ -	\$ -	\$ -
Public works	-	-	-	-
Health and social services	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	25,805	-
General government	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
TOTAL DISBURSEMENTS	\$ -	\$ -	\$ 25,805	\$ -
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 294,983	\$ 28,919	\$ (25,805)	\$ -
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	\$ -	\$ -	\$ -	\$ -
Bond proceeds, net	-	-	-	-
Operating transfers in	-	-	38,604	-
Operating transfers out	(243,748)	(28,919)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ (243,748)	\$ (28,919)	\$ 38,604	\$ -

See accompanying independent auditor's report.

Special Revenue			Capital Projects			
Housing Project	Park and Recreation Improvement Project	Police Special Projects	Sidewalk Project	Sewer Improvement	Cemetery Airport Improvement	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,919
-	-	-	-	-	-	-
-	-	-	-	-	-	289,308
-	292	-	-	-	-	5,967
-	-	-	-	-	-	-
-	-	-	556	-	-	556
-	21,206	4,178	787	-	-	26,171
<u>\$ -</u>	<u>\$ 21,498</u>	<u>\$ 4,178</u>	<u>\$ 1,343</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 350,921</u>
\$ -	\$ -	\$ 4,910	\$ -	\$ -	\$ -	\$ 4,910
-	-	-	-	-	-	-
-	63,112	-	-	-	-	63,112
7,834	-	-	-	-	-	33,639
-	-	-	-	-	-	-
-	-	-	4,034	48,663	20,600	73,297
<u>\$ 7,834</u>	<u>\$ 63,112</u>	<u>\$ 4,910</u>	<u>\$ 4,034</u>	<u>\$ 48,663</u>	<u>\$ 20,600</u>	<u>\$ 174,958</u>
<u>\$ (7,834)</u>	<u>\$ (41,614)</u>	<u>\$ (732)</u>	<u>\$ (2,691)</u>	<u>\$ (48,663)</u>	<u>\$ (20,600)</u>	<u>\$ 175,963</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	25,000	-	25,000
-	-	-	-	23,663	20,600	82,867
-	-	-	-	-	-	(272,667)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,663</u>	<u>\$ 20,600</u>	<u>\$ (164,800)</u>

CITY OF WINTERSET, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2006

Schedule 1
(Continued)

	Special Revenue			
	Local Option Tax	Emergency	LMI Grant Fund	Tax Increment Financing Reserve
NET CHANGE IN CASH BALANCE	\$ 51,235	\$ -	\$ 12,799	\$ -
CASH BALANCES, BEGINNING OF YEAR	191,376	-	97,719	262,000
CASH BALANCES, END OF YEAR	\$ 242,611	\$ -	\$ 110,518	\$ 262,000
CASH BASIS FUND BALANCES:				
Reserved:				
Debt service	\$ -	\$ -	\$ -	\$ -
Unreserved:				
General fund	-	-	-	-
Special revenue funds	242,611	-	110,518	262,000
Capital projects fund	-	-	-	-
Permanent fund	-	-	-	-
TOTAL CASH BASIS FUND BALANCES	\$ 242,611	\$ -	\$ 110,518	\$ 262,000

See accompanying independent auditor's report.

Special Revenue			Capital Projects			Total
Housing Project	Park and Recreation Improvement Project	Police Special Projects	Sidewalk Project	Sewer Improvement	Cemetery Airport Improvement	
\$ (7,834)	\$ (41,614)	\$ (732)	\$ (2,691)	\$ -	\$ -	\$ 11,163
28,015	69,610	6,221	133	-	-	655,074
<u>\$ 20,181</u>	<u>\$ 27,996</u>	<u>\$ 5,489</u>	<u>\$ (2,558)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 666,237</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
20,181	27,996	5,489	-	-	-	668,795
-	-	-	(2,558)	-	-	(2,558)
-	-	-	-	-	-	-
<u>\$ 20,181</u>	<u>\$ 27,996</u>	<u>\$ 5,489</u>	<u>\$ (2,558)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 666,237</u>

CITY OF WINTERSET, IOWA
 SCHEDULE OF INDEBTEDNESS
 Year Ended June 30, 2006

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount Originally Issued</u>
General obligation bonds:			
General corporate purpose	March 1, 1998	4.10-4.80%	\$ 180,000
Airport improvement	December 1, 1998	5.50-6.75%	375,000
General corporate purpose	April 1, 1999	4.10-4.70%	325,000
Local option sales tax	December 15, 2004	2.45-4.95%	2,700,000
Corporate purpose and refunding	June 1, 2005	2.95-4.00%	1,585,000
General corporate purpose	June 15, 2006	3.95-4.40%	825,000
Total			
General obligation notes:			
Sewer improvements	August 1, 1999	4.25-5.20%	\$ 1,435,000
Street improvements	April 1, 2000	5.00-5.60%	290,000
General corporate purpose	October 1, 2001	3.75-4.70%	885,000
General corporate purpose	May 1, 2003	1.50-3.85%	1,100,000
Total			
Special assessment capital loan notes:			
Street improvements	May 1, 1998	4.50-5.20%	\$ 130,000
Street improvements	May 1, 1999	4.50-5.05%	141,000
Street improvements	April 1, 2000	5.20-6.60%	84,000
Paving project	May 1, 2001	4.50-5.90%	255,000
Street improvements	May 1, 2003	1.50-4.20%	188,000
Total			
Special assessment bonds;			
Street improvements	June 1, 2005	2.90-4.30%	\$ 406,000
Revenue bonds:			
Urban renewal tax increment	October 31, 1997	8.25%	\$ 250,000
Urban renewal tax increment	April 1, 1998	6.50%	145,000
Urban renewal tax increment	December 28, 1999	6.50%	200,000
Urban renewal tax increment	December 28, 1999	8.00%	170,000
Urban renewal tax increment	October 2, 2000	7.50%	160,000
Urban renewal tax increment	December 1, 2000	5.15-5.90%	2,400,000
Total			

See accompanying independent auditor's report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 60,000	\$ -	\$ 60,000	\$ -	\$ 2,820	\$ -
265,000		25,000	240,000	17,020	-
145,000		145,000	-	6,658	-
2,700,000		-	2,700,000	123,348	-
1,585,000		-	1,585,000	56,375	-
-	825,000	-	825,000	-	-
<u>\$ 4,755,000</u>	<u>\$ 825,000</u>	<u>\$ 230,000</u>	<u>\$ 5,350,000</u>	<u>\$ 206,221</u>	<u>\$ -</u>
\$ 1,060,000	\$ -	\$ 85,000	\$ 975,000	\$ 52,713	\$ -
190,000		30,000	160,000	10,335	-
655,000		80,000	575,000	28,935	-
835,000	-	175,000	660,000	25,525	-
<u>\$ 2,740,000</u>	<u>\$ -</u>	<u>\$ 370,000</u>	<u>\$ 2,370,000</u>	<u>\$ 117,508</u>	<u>\$ -</u>
\$ 45,000	\$ -	\$ 15,000	\$ 30,000	\$ 2,318	\$ -
60,000	-	15,000	45,000	2,970	-
60,000	-	5,000	55,000	3,730	-
195,000	-	15,000	180,000	10,605	-
160,000	-	20,000	140,000	5,430	-
<u>\$ 520,000</u>	<u>\$ -</u>	<u>\$ 70,000</u>	<u>\$ 450,000</u>	<u>\$ 25,053</u>	<u>\$ -</u>
<u>\$ 406,000</u>	<u>\$ -</u>	<u>\$ 36,000</u>	<u>\$ 370,000</u>	<u>\$ 7,655</u>	<u>\$ -</u>
\$ 195,000	\$ -	\$ 20,000	\$ 175,000	\$ 16,088	\$ -
115,000	-	25,000	90,000	7,475	-
140,000	-	20,000	120,000	9,100	-
145,000	-	20,000	125,000	11,600	-
140,000	-	15,000	125,000	10,500	-
2,370,000	-	50,000	2,320,000	136,163	-
<u>\$ 3,105,000</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 2,955,000</u>	<u>\$ 190,926</u>	<u>\$ -</u>

CITY OF WINTERSET, IOWA
 SCHEDULE OF INDEBTEDNESS
 Year Ended June 30, 2006

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount Originally Issued</u>
Revenue notes:			
Sewer refunding	May 1, 2003	2.25-3.90%	\$ 2,455,000
State revolving loans:			
Sewer refund bonds, Series 2000A	January 17, 2000	3.92%	\$ 225,951
Sewer refund bonds, Series 2000B	January 17, 2000	3.92%	874,049
Total			
Other debt:			
Equipment lease/purchase	June 21, 2005	4.25%	\$ 207,293

See accompanying independent auditor's report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
<u>\$ 2,455,000</u>	<u>\$ -</u>	<u>\$ 275,000</u>	<u>\$ 2,180,000</u>	<u>\$ 79,298</u>	<u>\$ -</u>
\$ 185,000	\$ -	\$ 9,000	\$ 176,000	\$ 7,252	\$ -
714,000	-	36,000	678,000	27,989	-
<u>\$ 899,000</u>	<u>\$ -</u>	<u>\$ 45,000</u>	<u>\$ 854,000</u>	<u>\$ 35,241</u>	<u>\$ -</u>
<u>\$ 207,293</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 207,293</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF WINTERSET, IOWA
BOND AND OTHER DEBT MATURITIES
JUNE 30, 2006

Schedule 3

General Obligation Bonds

Year Ending June 30,	Airport Improvement		Local Option Sales Tax		Corporate Purpose and Refunding		General Corporate Purpose	
	Issued December 1, 1998		Issued December 15, 2004		Issued June 1, 2005		Issued June 15, 2006	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2007	6.10	\$ 25,000	2.45	\$ 105,000	2.95	\$ 65,000	---	\$ -
2008	6.20	25,000	2.70	105,000	3.10	70,000	---	-
2009	6.30	25,000	2.95	110,000	3.25	175,000	---	-
2010	6.40	30,000	3.15	110,000	3.35	180,000	3.95	25,000
2011	6.50	30,000	3.30	115,000	3.45	185,000	4.05	25,000
2012	6.60	35,000	3.45	120,000	3.55	195,000	4.10	50,000
2013	6.65	35,000	3.60	125,000	3.65	200,000	4.15	100,000
2014	6.75	35,000	3.75	125,000	3.80	210,000	4.20	100,000
2015	-	-	3.90	130,000	3.90	215,000	4.25	120,000
2016	-	-	4.05	135,000	4.00	90,000	4.30	130,000
2017	-	-	4.15	140,000	-	-	4.35	135,000
2018	-	-	4.25	150,000	-	-	4.40	140,000
2019	-	-	4.35	155,000	-	-	-	-
2020	-	-	4.45	160,000	-	-	-	-
2021	-	-	4.55	165,000	-	-	-	-
2022	-	-	4.65	175,000	-	-	-	-
2023	-	-	4.75	185,000	-	-	-	-
2024	-	-	4.85	190,000	-	-	-	-
2025	-	-	4.95	200,000	-	-	-	-
Total		<u>\$ 240,000</u>		<u>\$ 2,700,000</u>		<u>\$ 1,585,000</u>		<u>\$ 825,000</u>

General Obligation Notes

Year Ending June 30,	Sewer Improvements		Street Improvements		General Corporate Purpose		General Corporate Purpose	
	Issued August 1, 1999		Issued April 1, 2000		Issued October 1, 2001		Issued May 1, 2003	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2007	4.75	\$ 90,000	5.35	\$ 30,000	4.20	\$ 85,000	2.55	\$ 75,000
2008	4.80	95,000	5.40	30,000	4.30	90,000	2.80	75,000
2009	4.85	95,000	5.45	30,000	4.40	95,000	3.00	80,000
2010	4.90	100,000	5.50	35,000	4.50	100,000	3.20	80,000
2011	5.00	105,000	5.60	35,000	4.60	100,000	3.40	85,000
2012	5.05	115,000	-	-	4.70	105,000	3.55	85,000
2013	5.10	120,000	-	-	-	-	3.70	90,000
2014	5.15	125,000	-	-	-	-	3.85	90,000
2015	5.20	130,000	-	-	-	-	-	-
		<u>\$ 975,000</u>		<u>\$ 160,000</u>		<u>\$ 575,000</u>		<u>\$ 660,000</u>

See accompanying independent auditor's report.

Total

\$ 195,000
200,000
310,000
345,000
355,000
400,000
460,000
470,000
465,000
355,000
275,000
290,000
155,000
160,000
165,000
175,000
185,000
190,000
200,000
\$ 5,350,000

Total

\$ 280,000
290,000
300,000
315,000
325,000
305,000
210,000
215,000
130,000
\$ 2,370,000

CITY OF WINTERSET, IOWA
 BOND AND OTHER DEBT MATURITIES
 JUNE 30, 2006

Schedule 3
 (Continued)

Year Ending June 30,	State Revolving Loans				
	Sewer Revenue Bonds Series 2000A		Sewer Revenue Bonds Series 2000B		Total
	Issued January 17, 2000		Issued January 17, 2000		
	Interest Rates	Amount	Interest Rates	Amount	
2007	3.92	\$ 10,000	3.92	\$ 37,000	
2008	3.92	10,000	3.92	39,000	49,000
2009	3.92	10,000	3.92	40,000	50,000
2010	3.92	11,000	3.92	42,000	53,000
2011	3.92	11,000	3.92	43,000	54,000
2012	3.92	12,000	3.92	45,000	57,000
2013	3.92	12,000	3.92	47,000	59,000
2014	3.92	13,000	3.92	49,000	62,000
2015	3.92	13,000	3.92	51,000	64,000
2016	3.92	14,000	3.92	53,000	67,000
2017	3.92	14,000	3.92	55,000	69,000
2018	3.92	15,000	3.92	57,000	72,000
2019	3.92	15,000	3.92	59,000	74,000
2020	3.92	<u>16,000</u>	3.92	<u>61,000</u>	<u>77,000</u>
Total		<u>\$ 176,000</u>		<u>\$ 678,000</u>	<u>\$ 854,000</u>

Year Ending June 30,	Revenue Notes	
	Sewer Refunding	
	Issued May 1, 2003	
	Interest Rates	Amount
2007	2.60	\$ 285,000
2008	2.90	295,000
2009	3.15	300,000
2010	3.40	310,000
2011	3.60	320,000
2012	3.75	330,000
2013	3.90	<u>340,000</u>
		<u>\$ 2,180,000</u>

See accompanying independent auditor's report.

CITY OF WINTERSET, IOWA
BOND AND OTHER DEBT MATURITIES
JUNE 30, 2006

Schedule 3
(continued)

Year Ending June 30,	Urban Renewal (TIF) Revenue Bonds							
	Issued October 31, 1997		Issued April 1, 1998		Issued December 28, 1999		Issued December 28, 1999	
	Interest		Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount
2007	8.25	\$ 25,000	6.50	\$ 30,000	6.50	\$ 20,000	8.00	\$ 20,000
2008	8.25	25,000	6.50	30,000	6.50	20,000	8.00	25,000
2009	8.25	25,000	6.50	30,000	6.50	25,000	8.00	25,000
2010	8.25	30,000		-	6.50	25,000	8.00	25,000
2011	8.25	35,000		-	6.50	30,000	8.00	30,000
2012	8.25	35,000		-		-		-
2013		-		-		-		-
2014		-		-		-		-
2015		-		-		-		-
Total		<u>\$ 175,000</u>		<u>\$ 90,000</u>		<u>\$ 120,000</u>		<u>\$ 125,000</u>

Year Ending June 30,	Special Assessment Capital Loan Notes							
	Street Improvement		Street Improvements		Street Improvement		Paving Project	
	Issued May 1, 1998		Issued May 1, 1999		Issued April 1, 2000		Issued May 1, 2001	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2007	5.15	\$ 15,000	4.90	\$ 15,000	5.80	\$ 5,000	5.00	\$ 15,000
2008	5.20	15,000	5.00	15,000	5.90	5,000	5.10	15,000
2009		-	5.05	15,000	6.00	5,000	5.20	15,000
2010		-		-	6.10	5,000	5.30	15,000
2011		-		-	6.20	5,000	5.40	20,000
2012		-		-	6.30	5,000	5.50	20,000
2013		-		-	6.40	5,000	5.60	20,000
2014		-		-	6.50	10,000	5.70	20,000
2015		-		-	6.60	10,000	5.80	20,000
2016		-		-		-	5.90	20,000
		<u>\$ 30,000</u>		<u>\$ 45,000</u>		<u>\$ 55,000</u>		<u>\$ 180,000</u>

See accompanying independent auditor's report.

Urban Renewal (TIF) Revenue Bonds

<u>Issued October 2, 2000</u>		<u>Issued October 2, 2000</u>		<u>Total</u>
Interest		Interest		
<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	
7.50	\$ 15,000	5.45	\$ 70,000	\$ 180,000
7.50	20,000	5.50	75,000	195,000
7.50	20,000	5.55	75,000	200,000
7.50	20,000	5.60	285,000	385,000
7.50	25,000	5.70	300,000	420,000
7.50	25,000	5.75	350,000	410,000
	-	5.80	365,000	365,000
	-	5.85	390,000	390,000
	-	5.90	410,000	410,000
	<u>\$ 125,000</u>		<u>\$ 2,320,000</u>	<u>\$ 2,955,000</u>

<u>Special Assessment Capital Loan Notes</u>			<u>Special Assessment Bonds</u>	
Street Improvements			Street Improvements	
<u>Issued May 1, 2003</u>			<u>Issued June 1, 2005</u>	
Interest			Interest	
<u>Rates</u>	<u>Amount</u>	<u>Total</u>	<u>Rates</u>	<u>Amount</u>
2.75	\$ 20,000	\$ 70,000	3.30	\$ 40,000
3.10	20,000	70,000	3.45	40,000
3.40	20,000	55,000	3.60	40,000
3.60	20,000	40,000	3.75	40,000
3.80	20,000	45,000	3.90	40,000
4.00	20,000	45,000	4.00	40,000
4.20	20,000	45,000	4.10	40,000
	-	30,000	4.20	45,000
	-	30,000	4.30	45,000
	-	20,000		-
	<u>\$ 140,000</u>	<u>\$450,000</u>		<u>\$ 370,000</u>

CITY OF WINTERSET, IOWA
 SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS
 BY FUNCTION - ALL GOVERNMENTAL FUNDS
 For the Last Three Years

Schedule 4

	<u>2006</u>	<u>2005</u>	<u>2004</u>
RECEIPTS:			
Property tax	\$ 1,856,315	\$ 1,815,026	\$ 1,700,266
Tax incremental financing collections	769,518	713,047	812,891
Other city tax	311,528	210,607	22,273
Licenses and permits	28,568	29,831	29,601
Uses of money and property	123,163	55,493	14,616
Intergovernmental	730,438	791,715	733,075
Charges for services	162,774	112,847	114,537
Special assessments	251,903	208,722	137,024
Miscellaneous	<u>292,992</u>	<u>261,777</u>	<u>961,864</u>
 TOTAL	 <u><u>\$ 4,527,199</u></u>	 <u><u>\$ 4,199,065</u></u>	 <u><u>\$ 4,526,147</u></u>
DISBURSEMENTS:			
Operating:			
Public safety	\$ 714,439	\$ 758,943	\$ 697,160
Public works	507,333	507,548	490,767
Health and social services	3,000	3,000	3,000
Culture and recreation	827,767	697,301	674,700
Community and economic development	294,662	384,100	176,802
General government	353,632	338,534	318,477
Debt service	1,412,611	1,079,456	1,050,868
Capital projects	3,945,896	1,491,659	264,334
Business type activities	<u>750</u>	<u>372</u>	<u>844,185</u>
 TOTAL	 <u><u>\$ 8,060,090</u></u>	 <u><u>\$ 5,260,913</u></u>	 <u><u>\$ 4,520,293</u></u>

See accompanying independent auditor's report.

CITY OF WINTERSET, IOWA
INFORMATION REQUIRED BY THE 2003 SEWER
REVENUE REFUNDING NOTES RESOLUTION
UNAUDITED

Schedule 5

Rate and number of users of the system

User Charges - The service charge for sewer is based on water consumed at a rate of \$3.85 per 100 cubic feet. There is a \$8.50 minimum charge.

Number of Users - The City has approximately 1,700 residential users and approximately 250 commercial and industrial users.

Largest Users - The largest sewer customers for the 2005-2006 year were as follows:

<u>Customer</u>	<u>Cubic Feed Sold</u>
Star Quality Care Center	476,400
Winterset Care Center North	475,800
Best Kar Inc. East	301,400
Winterset Care Center South	189,900
Winterset High School	143,800
Madison County Hospital	136,000
Lou and Coe Erpelding	135,200
Best Kar Inc. South	127,200
Super 8 Motel	125,800
Winterset Elementary School	124,600

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AND AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the accompanying primary government financial statements of the government activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Winterset, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's primary government financial statements listed in the table of contents and have issued our report thereon dated January 9, 2007. Our report expressed an unqualified opinion on the primary government financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Winterset, Iowa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Winterset, Iowa's ability to record, process, summarize, and report financial data consistent with the assertions of management in the primary government financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Winterset, Iowa's primary government financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that 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, 2006, are based exclusively on knowledge obtained from procedures performed during our audit of the primary government 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Winterset, Iowa, and other parties to whom the City of Winterset, Iowa, may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Drapen, Smidgrass, Mickelson + Co., P.C.

January 9, 2007

CITY OF WINTERSET, IOWA
SCHEDULE OF FINDINGS
Year Ended June 30, 2006

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

REPORTABLE CONDITIONS

2006-A Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that certain functions are not entirely segregated.

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

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

2006-B Dual Signatures – Although the City approved a resolution requiring dual signatures on all checks issued over \$10,000, we noted that the City did not always use dual signatures as required.

Recommendation – The City should comply with their resolution and use dual signatures on all checks issued over \$10,000.

Response – We will do so.

Conclusion – Response accepted.

2006-C General Obligation Notes – A portion of the proceeds of the 2005 General Obligation Corporate Purpose and Refunding Bonds were not recorded on the City's books.

Recommendation – The City should properly reflect all activity on their accounting records.

Response – We will do so.

Conclusion – Response accepted.

CITY OF WINTERSET, IOWA
 SCHEDULE OF FINDINGS
 Year Ended June 30, 2006

OTHER FINDINGS RELATED TO STATUTORY REPORTING:

- 2006-1 Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2006.

- 2006-2 Certified Budget - The City's expenditures for the year ended June 30, 2006 did not exceed amounts budgeted.

- 2006-3 Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have been clearly documented.

- 2006-4 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- 2006-5 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transactions Description</u>	<u>Amount</u>
Montross Pharmacy, Co-owned by Mayor	Miscellaneous supplies	\$ 255

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the above individual does not appear to represent a conflict of interest since total transactions with the individual were less than \$1,500 during the fiscal year.

- 2006-6 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

 - 2006-7 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- Although minutes of Council proceedings were published, they did not include a summary of receipts as required by Chapter 372.13(6) of the Code of Iowa.
- Recommendation - The City should also comply with Chapter 372.13(6) of the Code of Iowa and include a summary of receipts in the publish minutes as required.

CITY OF WINTERSET, IOWA
SCHEDULE OF FINDINGS
Year Ended June 30, 2006

Response – We have changed our procedures to include a summary of receipts with the minutes provided to the City Council for their review and approval. The summary of receipts is also included in the minutes that are published in the newspaper.

Conclusion – Response acknowledged.

2006-8 Deposits and Investments – We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy.

2006-9 Revenue Bonds and Notes - The City does has complied with the revenue bond and note resolutions.

2006-10 Financial Condition – The Capital Projects, Downtown Improvement Project Fund had a deficit balance of \$201,075, Paving Project had a deficit balance of \$436,568, and the Sidewalk Project had a deficit balance of \$2,558 at June 30, 2006.

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

Response – The Capital Project Funds are typically financed by bonds that are issued at the end of the project when all expenditures and other revenues for the project are known. The fiscal year ending date of June 30 falls in the middle of construction season and total costs for these projects are not yet determined at that time.

Conclusion – Response acknowledged.