

CITY OF WINTERSET, IOWA

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

Year Ended June 30, 2007

CITY OF WINTERSET, IOWA
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CITY OF WINTERSET, IOWA
CITY OFFICIALS
June 30, 2007

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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, 2007, 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, 2007, 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 May 24, 2007.

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, 2007, 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 September 28, 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 27 through 28 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, 2006 (none of which are presented herein) were audited by us and other auditors and unqualified opinions were expressed 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, Mitchell & Co., P.C.

September 28, 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, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2007 Financial Highlights

Revenues of the City increased by nearly 50% compared to the previous year. However, this year included the proceeds of municipal bonds that financed various capital improvement projects. When bond revenues are not factored in, revenues actually increased by 2.5% compared to the previous year.

Disbursements of the City increased by about 15% compared to the previous year. However, when the capital projects are not factored in, disbursements increased by about 7.5%.

The City's total cash fund balance during FY 2007 stayed nearly the same, increasing by less than \$42,000.

Using This Annual Report

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

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

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

The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide 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.

- Proprietary funds account for the City's Enterprise Fund. Enterprise Funds are 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.

Reconciliations between the government-wide statement and fund financial statements follow the fund financial statements.

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, 2007 is just over \$2 million. The cash balance from the previous year was \$1,874,000, so as a result, the balance in the governmental activities increased by about \$126,000.

The proprietary fund ending balance decreased from \$488,000 to about \$404,000, a decrease of about \$84,000. This decrease is attributed to the expenditure of reserves in the sewer system improvement funds.

The City decreased property tax rates for 2007 by 2.7 percent. However, due to an increase in taxable valuations, property tax receipts increased by 1.2%, even with lower tax rates.

The analysis that follows focuses on the cash basis net assets for FY 2007 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>2007</u>	<u>2006</u>
RECEIPTS AND TRANSFERS:		
Property tax	\$ 1,878	\$ 1,856
TIF revenue	802	770
Other City taxes	322	312
License and permits	27	29
Use of money and property	83	123
Intergovernmental	801	730
Charges for service	183	163
Special assessments	272	252
Miscellaneous	1,174	1,202
Sale of assets	10	1
Bond proceeds	<u>4,051</u>	<u>811</u>
TOTAL RECEIPTS AND TRANSFERS	<u>\$ 9,603</u>	<u>\$ 6,249</u>

	<u>Year Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
EXPENDITURES AND TRANSFERS OUT:		
Public safety	\$ 908	\$ 714
Public works	530	507
Health and social services	3	3
Culture and recreation	879	828
Community and economic development	337	295
General government	410	354
Debt service	1,314	1,413
Capital projects	4,107	3,946
Business type activities	<u>989</u>	<u>910</u>
TOTAL DISBURSEMENTS	<u>\$ 9,477</u>	<u>\$ 8,970</u>
Increase (decrease) in cash basis net assets	\$ 126	\$(2,721)
Cash basis net assets, beginning of year	<u>1,874</u>	<u>4,595</u>
Cash basis net assets, end of year	<u>\$ 2,000</u>	<u>\$ 1,874</u>
Less:		
Cash in escrow for bond refunding	<u>791</u>	<u>791</u>
Unrestricted cash balances	<u>\$ 1,209</u>	<u>\$ 1,083</u>

The analysis that follows focuses on the cash basis net assets for FY 2007 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>2007</u>	<u>2006</u>
RECEIPTS:		
Use of money and property	\$ 13	\$ 19
Intergovernmental:		
Charges for service	872	797
Bond proceeds	850	---
Miscellaneous	<u>---</u>	<u>2</u>
TOTAL RECEIPTS AND TRANSFERS	<u>\$ 1,735</u>	<u>\$ 818</u>
EXPENDITURES AND TRANSFERS OUT:		
Sewer operations	\$ 414	\$ 331
Capital projects	966	104
Sewer debt service	<u>439</u>	<u>435</u>
TOTAL DISBURSEMENTS	<u>\$ 1,819</u>	<u>\$ 870</u>
Increase/decrease in cash basis net assets	\$ (84)	\$ (52)
Cash basis net assets, beginning of year	<u>488</u>	<u>540</u>
Cash basis net assets, end of year	<u>\$ 404</u>	<u>\$ 488</u>

Individual Major Governmental Fund Analysis

As the City of Winterset completed the year, its governmental funds reported a combined fund balance of just over \$2 million, 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 a slight decrease of \$18,465 from the prior year to an ending cash balance of \$324,850.

The various funds that make up the special revenue funds realized a minor decrease in cash balance of \$56,816 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 by \$19,000 to \$956,000 during the fiscal year. Much of this fund balance is \$791,000 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 increased by \$181,000. However, the balance in the Capital Projects funds reflects the fund balance as of June 30, the end of the fiscal year. This date is usually in the middle of construction season and therefore represents the fund balance in the middle of the construction project.

The Sewer Utility Fund cash balance decreased by about \$84,000 during this fiscal year.

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 2007 was approved by the City Council on March 6, 2006, and later amended on May 7, 2007. The budget amendment was necessary primarily because of increased capital improvement projects, and an increase in operational costs at the new Aquatic Center. Fiscal year 2006-2007 was the first full year of operations at the new Aquatic Center.

Debt Administration

The City's total debt increased by \$1,568,000 from June 30, 2006 to June 30, 2007, as shown below:

Outstanding Debt at Year End
(Expressed in Thousands)

	<u>Year Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
General obligation bonds/notes	\$ 6,460	\$ 5,020
Urban renewal tax increment financing revenue bonds	2,775	2,955
Sewer revenue bonds	3,052	3,034
Special assessment bonds	1,215	820
Local option sales tax bond	<u>2,595</u>	<u>2,700</u>
 Total debt	 <u>\$16,097</u>	 <u>\$14,529</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 constitutional debt limit as of June 30, 2007 was \$11,287,908. The City's combined general obligation and tax increment financing debt is \$11,040,000. 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 2008 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 2006, over 20 building permits for new houses were issued, and several new residential subdivisions were developed.

These indicators were taken into account when adopting the budget for fiscal year 2008. For the operating budget, not including capital improvement projects and not including the refunding of bonds, appropriations are increased by about 6% compared to the 2007 budget. Capital improvement projects included in the 2008 budget include construction of downtown streetscape improvements and the initial development of a new youth sports complex. The plan for this new youth sports complex is to consolidate all outdoor ball fields into one area on the east side of town.

Revenue associated with the operating funds of the City are projected to increase by about 4.3%. Property tax revenues are projected to increase by 2.2%, and the tax rate for FY 2008 will increase by 0.8%, Taxable valuation increased by 2.2% for FY 2008.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$825,000 by close for FY 2008. Nearly all of this decrease is attributed to the expenditure of funds held for the early redemption of outstanding 1999 general obligation bonds.

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, 2007

Exhibit A

	PROGRAM RECEIPTS			
FUNCTIONS/PROGRAMS:	Disbursements	Charges For Services	Operating Grants Contributions, and Restricted Interest	Capital Grants Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 907,983	\$ 40,558	\$ 68,652	\$ -
Public works	530,304	2,174	397,388	-
Health and social services	3,000	-	-	-
Culture and recreation	878,881	266,485	7,591	-
Community/economic development	337,126	3,275	-	-
General government	410,333	11,042	-	-
Debt service	1,314,041	-	28,928	-
Capital projects	4,107,189	-	-	211,631
Business type activities	-	672	-	-
Total governmental activities	\$ 8,488,857	\$ 324,206	\$ 502,559	\$ 211,631
Business type activities:				
Sewer	\$ 1,819,925	\$ 872,210	\$ 13,167	\$ -
Utility reimbursement	989,024	-	-	-
Total business type activities	\$ 2,808,949	\$ 872,210	\$ 13,167	\$ -
TOTAL PRIMARY GOVERNMENT	\$ 11,297,806	\$ 1,196,416	\$ 515,726	\$ 211,631
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/warrants 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

Governmental Activities	Business Type Activities	Total
\$ (798,773)	\$ -	\$ (798,773)
(130,742)	-	(130,742)
(3,000)	-	(3,000)
(604,805)	-	(604,805)
(333,851)	-	(333,851)
(399,291)	-	(399,291)
(1,285,113)	-	(1,285,113)
(3,895,558)	-	(3,895,558)
672	-	672
<u>\$ (7,450,461)</u>	<u>\$ -</u>	<u>\$ (7,450,461)</u>
\$ -	\$ (934,548)	\$ (934,548)
-	(989,024)	(989,024)
<u>\$ -</u>	<u>\$ (1,923,572)</u>	<u>\$ (1,923,572)</u>
<u>\$ (7,450,461)</u>	<u>\$ (1,923,572)</u>	<u>\$ (9,374,033)</u>
\$ 1,060,006	\$ -	\$ 1,060,006
801,663	-	801,663
414,106	-	414,106
564,353	-	564,353
609	-	609
22,748	-	22,748
204,000	-	204,000
299,712	-	299,712
53,451	-	53,451
4,050,776	850,544	4,901,320
94,743	989,024	1,083,767
9,882	-	9,882
<u>\$ 7,576,049</u>	<u>\$ 1,839,568</u>	<u>\$ 9,415,617</u>
\$ 125,588	\$ (84,004)	\$ 41,584
1,874,497	488,165	2,362,662
<u>\$ 2,000,085</u>	<u>\$ 404,161</u>	<u>\$ 2,404,246</u>
\$ 88,343	\$ -	\$ 88,343
92,600	-	92,600
174,640	-	174,640
956,257	405,516	1,361,773
363,395	-	363,395
324,850	(1,355)	323,495
<u>\$ 2,000,085</u>	<u>\$ 404,161</u>	<u>\$ 2,404,246</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, 2007

Exhibit B

	General	SPECIAL REVENUE		
		Road Use Tax	Employee Benefits	Tax Increment Financing
RECEIPTS:				
Property taxes	\$ 1,060,006	\$ -	\$ 414,106	\$ -
Tax increment financing collections	-	-	-	801,663
Other city taxes	22,748	-	-	-
Licenses and permits	27,486	-	-	-
Use of money and property	47,388	-	-	-
Intergovernmental	313,825	397,388	-	-
Charges for service	182,917	-	-	-
Special assessments	-	-	-	-
Miscellaneous	140,532	-	8,253	-
Total receipts	\$ 1,794,902	\$ 397,388	\$ 422,359	\$ 801,663
DISBURSEMENTS:				
Operating:				
Public safety	\$ 744,665	\$ -	\$ 161,798	\$ -
Public works	37,326	418,745	74,233	-
Health and social services	3,000	-	-	-
Culture and recreation	735,006	-	143,407	-
Community/economic development	51,750	-	-	252,070
General government	361,137	-	49,196	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Business type activities	-	-	-	-
Total disbursements	\$ 1,932,884	\$ 418,745	\$ 428,634	\$ 252,070
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (137,982)	\$ (21,357)	\$ (6,275)	\$ 549,593
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	\$ 9,882	\$ -	\$ -	\$ -
Bond proceeds, net	136,146	-	-	-
Anticipatory warrants issued	-	-	-	-
Anticipatory warrants redeemed	-	-	-	-
Operating transfers in	609	-	-	-
Operating transfers out	(27,120)	-	-	(552,418)
TOTAL OTHER FINANCING SOURCES (USES)	\$ 119,517	\$ -	\$ -	\$ (552,418)
NET CHANGE IN CASH BALANCES	\$ (18,465)	\$ (21,357)	\$ (6,275)	\$ (2,825)
CASH BALANCES, BEGINNING OF YEAR	343,315	109,700	98,875	177,465
CASH BALANCES, END OF YEAR	\$ 324,850	\$ 88,343	\$ 92,600	\$ 174,640
CASH BASIS FUND BALANCES:				
Reserved:				
Debt service	\$ -	\$ -	\$ -	\$ -
Unreserved:				
General fund	324,850	-	-	-
Special revenue funds	-	88,343	92,600	174,640
Capital projects fund	-	-	-	-
Permanent fund	-	-	-	-
TOTAL CASH BASIS FUND BALANCES	\$ 324,850	\$ 88,343	\$ 92,600	\$ 174,640

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		
\$ 403,414	\$ -	\$ -	\$ -	\$ 609	\$ 1,878,135
-	-	-	-	-	801,663
-	-	-	-	299,712	322,460
-	-	-	-	-	27,486
28,928	-	-	-	6,976	83,292
-	-	-	-	-	711,213
-	-	-	-	-	182,917
160,939	-	-	-	9,865	170,804
14,811	101,226	100,891	2,954	7,150	375,817
<u>\$ 608,092</u>	<u>\$ 101,226</u>	<u>\$ 100,891</u>	<u>\$ 2,954</u>	<u>\$ 324,312</u>	<u>\$ 4,553,787</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,520	\$ 907,983
-	-	-	-	-	530,304
-	-	-	-	-	3,000
-	-	-	-	468	878,881
-	-	-	-	33,306	337,126
-	-	-	-	-	410,333
1,314,041	-	-	-	-	1,314,041
-	303,653	860,145	1,198,223	67,928	2,429,949
-	-	-	-	-	-
<u>\$1,314,041</u>	<u>\$ 303,653</u>	<u>\$ 860,145</u>	<u>\$ 1,198,223</u>	<u>\$ 103,222</u>	<u>\$ 6,811,617</u>
\$ (705,949)	\$ (202,427)	\$ (759,254)	\$ (1,195,269)	\$ 221,090	\$ (2,257,830)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,882
-	-	1,234,196	1,050,714	21,000	2,442,056
-	-	900,880	707,840	-	1,608,720
-	-	(939,254)	(737,986)	-	(1,677,240)
725,067	120,625	-	-	82,977	929,278
-	-	-	-	(349,740)	(929,278)
<u>\$ 725,067</u>	<u>\$ 120,625</u>	<u>\$ 1,195,822</u>	<u>\$ 1,020,568</u>	<u>\$ (245,763)</u>	<u>\$ 2,383,418</u>
\$ 19,118	\$ (81,802)	\$ 436,568	\$ (174,701)	\$ (24,673)	\$ 125,588
937,139	81,802	(436,568)	(103,468)	666,237	1,874,497
<u>\$ 956,257</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (278,169)</u>	<u>\$ 641,564</u>	<u>\$ 2,000,085</u>
\$ 956,257	\$ -	\$ -	\$ -	\$ -	\$ 956,257
-	-	-	-	-	324,850
-	-	-	-	642,435	998,018
-	-	-	(278,169)	(871)	(279,040)
-	-	-	-	-	-
<u>\$ 956,257</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (278,169)</u>	<u>\$ 641,564</u>	<u>\$ 2,000,085</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, 2007

Exhibit C

	Enterprise		Total
	Sewer	Utility Reimbursement	
OPERATING RECEIPTS:			
Use of money and property	\$ 13,167	\$ -	\$ 13,167
Charge for service	872,210	-	872,210
Miscellaneous	-	989,024	989,024
Total operating receipts	<u>\$ 885,377</u>	<u>\$ 989,024</u>	<u>\$ 1,874,401</u>
OPERATING DISBURSEMENTS:			
Business type activities	<u>\$ 1,819,925</u>	<u>\$ 989,024</u>	<u>\$ 2,808,949</u>
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS (OVER) UNDER OPERATING DISBURSEMENTS	<u>\$ (934,548)</u>	<u>\$ -</u>	<u>\$ (934,548)</u>
OTHER FINANCING SOURCES:			
Bond proceeds, net	<u>\$ 850,544</u>	<u>\$ -</u>	<u>\$ 850,544</u>
TOTAL OTHER FINANCING SOURCES	<u>\$ 850,544</u>	<u>\$ -</u>	<u>\$ 850,544</u>
NET CHANGE IN CASH BALANCES	\$ (84,004)	\$ -	\$ (84,004)
CASH BALANCES, BEGINNING OF YEAR	<u>488,165</u>	<u>-</u>	<u>488,165</u>
CASH BALANCES, END OF YEAR	<u><u>\$ 404,161</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 404,161</u></u>
CASH BASIS FUND BALANCES:			
Reserved for debt service/maintenance	\$ 405,516	\$ -	\$ 405,516
Unreserved	(1,355)	-	(1,355)
Total cash basis fund balances	<u><u>\$ 404,161</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 404,161</u></u>

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

CITY OF WINTERSET, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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, 2007

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 8)

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, 2007

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, 2007

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. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the Public Safety and Business Type Activities Functions.

Note 2. Cash and Pooled Investments

The City's deposits in banks at June 30, 2007, 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, 2007

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, 2007, 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>
2008	\$ 200,000	\$ 285,221	\$ 290,000	\$ 93,431
2009	455,000	281,547	300,000	81,281
2010	495,000	263,969	315,000	68,458
2011	515,000	244,201	325,000	54,573
2012	570,000	223,209	305,000	39,873
2013-2017	2,990,000	733,922	555,000	49,535
2018-2022	1,165,000	248,800	---	---
2023-2025	575,000	42,967	---	---
TOTAL	<u>\$6,965,000</u>	<u>\$2,323,836</u>	<u>\$2,090,000</u>	<u>\$ 387,151</u>

CITY OF WINTERSET, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Note 3. Bonds and Notes Payable (continued)

Year Ending June 30,	Sewer Revenue Notes		Special Assessment Capital Loan	
	Principal	Interest	Principal	Interest
2008 \$	295,000	\$ 80,019	\$ 70,000	\$ 18,673
2009	300,000	73,458	55,000	15,433
2010	310,000	64,008	40,000	12,895
2011	320,000	53,468	45,000	11,055
2012	330,000	41,948	45,000	8,885
2013-2017	615,000	76,457	125,000	15,620
2018-2022	75,000	3,525	---	---
2023-2025	---	---	---	---
TOTAL	<u>\$2,245,000</u>	<u>\$ 392,883</u>	<u>\$ 380,000</u>	<u>\$ 82,561</u>

Year Ending June 30,	Special Assessment Bonds		Urban Renewal Tax Increment Financing Revenue Bonds	
	Principal	Interest	Principal	Interest
2008 \$	90,000	\$ 23,172	\$ 195,000	\$ 169,073
2009	90,000	31,620	200,000	156,136
2010	90,000	28,055	385,000	142,835
2011	90,000	24,430	420,000	119,275
2012	90,000	20,720	410,000	93,063
2013-2017	385,000	46,375	1,165,000	139,370
2018-2022	---	---	---	---
2023-2025	---	---	---	---
TOTAL	<u>\$ 835,000</u>	<u>\$ 174,372</u>	<u>\$2,775,000</u>	<u>\$ 819,752</u>

Year Ending June 30,	State Revolving Loans		Other Debt	
	Principal	Interest	Principal	Interest
2008 \$	49,000	\$ 31,634	\$ 94,055	\$ 13,325
2009	50,000	29,713	95,253	12,127
2010	53,000	27,753	97,363	10,017
2011	54,000	25,676	99,573	7,806
2012	57,000	23,559	101,887	5,493
2013-2017	321,000	82,436	328,252	4,365
2018-2022	223,000	17,678	---	---
2023-2025	---	---	---	---
TOTAL	<u>\$ 807,000</u>	<u>\$ 238,449</u>	<u>\$ 816,383</u>	<u>\$ 53,133</u>

CITY OF WINTERSET, IOWA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

Note 3. Bonds and Notes Payable (continued)

Year Ending	Total	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 1,283,055	\$ 714,548
2009	1,545,253	681,315
2010	1,785,363	617,990
2011	1,868,573	540,484
2012	1,908,887	456,750
2013-2017	6,434,252	1,148,080
2018-2022	1,463,000	270,003
2023-2025	<u>575,000</u>	<u>42,967</u>
TOTAL	<u>\$16,863,383</u>	<u>\$4,472,137</u>

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.

CITY OF WINTERSET, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Note 3. Bonds Payable and Other Debt (continued)

- (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.

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.

CITY OF WINTERSET, IOWA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

Note 4. Pension and Retirement Benefits (continued)

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, 2007, 2006, and 2005 was \$117,815, \$100,112, and \$70,172 respectively, equal to the required contributions for each year.

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, 2007, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 52,348
Sick leave	<u>57,997</u>
Total	<u>\$110,345</u>

This liability has been computed based on rates of pay as of June 30, 2007.

Note 6. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special revenue: Emergency	<u>\$ 609</u>
Debt service	General Special revenue: Tax increment financing Local option tax	\$ 27,120 484,461 <u>213,486</u> <u>\$ 725,067</u>

CITY OF WINTERSET, IOWA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

Note 6. Interfund Transfers (continued)

Special revenue:			
LMI grant fund	Special revenue:		
	Tax increment financing	\$	<u>46,791</u>
Capital projects:			
Aquatic center project	Special revenue:		
	Local option sales tax	\$	<u>120,625</u>
Park improvement project	Special revenue:		
	Local option sales tax	\$	<u>15,020</u>
Airport improvement	Special revenue:		
	Tax increment financing	\$	<u>21,166</u>
Total			<u><u>\$ 929,278</u></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. 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.

Note 8. 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.

CITY OF WINTERSET, IOWA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

Note 8. South Central Iowa Landfill Agency (continued)

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 9. Capital Leases

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:	2008	\$	31,177
	2009		31,177
	2010		31,177
	2011		31,177
	2012		31,177
	2013		31,176
	2014		<u>31,176</u>
		\$	218,237
Less amount representing interest			<u>(32,830)</u>
Present value of future minimum lease Payments		\$	<u>185,407</u>

On November 20, 2006, the City entered into a lease purchase agreement for a sewer lift station with Zuendel Investments, Inc. The City is to make annual payment of \$50,000 through March 1, 2016. The future minimum lease payment under the capital lease and the net present value of the future minimum lease payments are as follows:

CITY OF WINTERSET, IOWA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

Note 9. Capital Leases

	Year Ended June 30,	
Total future minimum lease payments:	2008	\$ 50,000
	2009	50,000
	2010	50,000
	2011	50,000
	2012	50,000
	2013	50,000
	2014	50,000
	2015	50,000
	2016	<u>50,000</u>
		\$ 450,000
Less amount representing interest		<u>---</u>
Present value of future minimum lease Payments		<u>\$ 450,000</u>

On December 26, 2006, the City entered into a lease purchase agreement for a fire truck with BB Community Leasing Services, Inc. The City is to make annual payment of \$26,203 through March 1, 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:	2008	\$ 26,203
	2009	26,203
	2010	26,203
	2011	26,203
	2012	26,203
	2013	<u>20,263</u>
		\$ 151,278
Less amount representing interest		<u>(20,303)</u>
Present value of future minimum lease Payments		<u>\$ 130,975</u>

CITY OF WINTERSET, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Note 11. Deficit Fund Balances

The Capital Projects, Downtown Improvement Project Fund had a deficit balance of \$278,169, and the Sidewalk Project had a deficit balance of \$871 at June 30, 2007. 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 is named as a party to litigation in a pending suit filed in the U.S. District Court for the northern district of Iowa. This suit is just in the initial stages and any potential outcome is currently unknown.

Note 13. Subsequent Events

In August 2007, the City approved the purchase of a new police car for \$18,652.

In August 2007, the City approved the contract for the 2007 asphalt project street improvements for \$93,112.

In September 2007, the City approved the issuance of general obligation street improvement loan notes series 2007D in the amount of \$850,000.

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, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Net
RECEIPTS:			
Property tax	\$ 1,878,135	\$ -	\$ 1,878,135
Tax increment financing collections	801,663	-	801,663
Other city tax	322,460	-	322,460
Licenses and permits	27,486	-	27,486
Use of money and property	83,292	13,167	96,459
Intergovernmental	711,213	-	711,213
Charges for service	182,917	872,210	1,055,127
Special assessments	170,804	-	170,804
Miscellaneous	375,817	989,024	1,364,841
TOTAL RECEIPTS	<u>\$ 4,553,787</u>	<u>\$ 1,874,401</u>	<u>\$ 6,428,188</u>
DISBURSEMENTS:			
Public safety	\$ 907,983	\$ -	\$ 907,983
Public works	530,304	-	530,304
Health and social services	3,000	-	3,000
Culture and recreation	878,881	-	878,881
Community and economic development	337,126	-	337,126
General government	410,333	-	410,333
Debt service	1,314,041	-	1,314,041
Capital projects	2,429,949	-	2,429,949
Business type activities	-	2,808,949	2,808,949
TOTAL DISBURSEMENTS	<u>\$ 6,811,617</u>	<u>\$ 2,808,949</u>	<u>\$ 9,620,566</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (2,257,830)	\$ (934,548)	\$ (3,192,378)
OTHER FINANCING SOURCES, NET	<u>2,383,418</u>	<u>850,544</u>	<u>3,233,962</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	\$ 125,588	\$ (84,004)	\$ 41,584
BALANCE, BEGINNING OF YEAR	<u>1,874,497</u>	<u>488,165</u>	<u>2,362,662</u>
BALANCE, END OF YEAR	<u>\$ 2,000,085</u>	<u>\$ 404,161</u>	<u>\$ 2,404,246</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net
Original	Final	Variance
\$ 1,859,366	\$ 1,859,366	\$ 18,769
818,000	818,000	(16,337)
321,989	345,839	(23,379)
20,325	20,325	7,161
77,922	92,922	3,537
726,670	806,670	(95,457)
1,106,000	1,137,000	(81,873)
260,000	280,000	(109,196)
1,078,546	1,148,213	216,628
<u>\$ 6,268,818</u>	<u>\$ 6,508,335</u>	<u>\$ (80,147)</u>
\$ 934,352	\$ 794,352	\$ (113,631)
529,551	534,551	4,247
3,000	3,000	-
851,384	884,384	5,503
329,500	364,500	27,374
419,885	419,885	9,552
1,337,429	1,337,429	23,388
2,198,491	2,510,491	80,542
1,960,691	2,380,691	(428,258)
<u>\$ 8,564,283</u>	<u>\$ 9,229,283</u>	<u>\$ (391,283)</u>
\$ (2,295,465)	\$ (2,720,948)	\$ (471,430)
<u>2,495,000</u>	<u>2,609,360</u>	<u>624,602</u>
\$ 199,535	\$ (111,588)	<u>\$ 153,172</u>
<u>2,451,158</u>	<u>2,362,660</u>	
<u>\$ 2,650,693</u>	<u>\$ 2,251,072</u>	

CITY OF WINTERSET, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2007

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 \$665,000. The budget amendment is reflected in the final budgeted amounts. During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the Community and Economic Development and Capital Projects Functions prior to budget amendment and exceeded the amended budgeted amounts in the Public Safety and Business Type Activities Functions.

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, 2007

Schedule 1

	Special Revenue			
	Local Option Tax	Emergency	LMI Grant Fund	Tax Increment Financing Reserve
RECEIPTS:				
Property tax	\$ -	\$ 609	\$ -	\$ -
Tax increment financing collections	-	-	-	-
Other city tax	299,712	-	-	-
Licenses and permits	-	-	-	-
Uses of money and property	6,063	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	-	-	-	-
TOTAL RECEIPTS	\$ 305,775	\$ 609	\$ -	\$ -
DISBURSEMENTS:				
Operating:				
Public safety	\$ -	\$ -	\$ -	\$ -
Public works	-	-	-	-
Health and social services	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	27,644	-
General government	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
TOTAL DISBURSEMENTS	\$ -	\$ -	\$ 27,644	\$ -
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 305,775	\$ 609	\$ (27,644)	\$ -
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	\$ -	\$ -	\$ -	\$ -
Bond proceeds, net	-	-	-	-
Operating transfers in	-	-	46,791	-
Operating transfers out	(349,131)	(609)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ (349,131)	\$ (609)	\$ 46,791	\$ -

See accompanying independent auditor's report.

Special Revenue			Capital Projects			
Housing Project	Park and Recreation Improvement Project	Police Special Projects	Sidewalk Project	Airport Improvement	Park Improvement	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 609
-	-	-	-	-	-	-
-	-	-	-	-	-	299,712
-	913	-	-	-	-	6,976
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	9,865	-	-	9,865
3,275	1,311	-	1,564	-	1,000	7,150
<u>\$ 3,275</u>	<u>\$ 2,224</u>	<u>\$ -</u>	<u>\$ 11,429</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 324,312</u>
\$ -	\$ -	\$ 1,520	\$ -	\$ -	\$ -	\$ 1,520
-	-	-	-	-	-	-
-	468	-	-	-	-	468
5,662	-	-	-	-	-	33,306
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	30,742	21,166	16,020	67,928
<u>\$ 5,662</u>	<u>\$ 468</u>	<u>\$ 1,520</u>	<u>\$ 30,742</u>	<u>\$ 21,166</u>	<u>\$ 16,020</u>	<u>\$ 103,222</u>
<u>\$ (2,387)</u>	<u>\$ 1,756</u>	<u>\$ (1,520)</u>	<u>\$ (19,313)</u>	<u>\$ (21,166)</u>	<u>\$ (15,020)</u>	<u>\$ 221,090</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	21,000	-	-	21,000
-	-	-	-	21,166	15,020	82,977
-	-	-	-	-	-	(349,740)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,000</u>	<u>\$ 21,166</u>	<u>\$ 15,020</u>	<u>\$ (245,763)</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, 2007

Schedule 1
(Continued)

	Special Revenue			Tax Increment Financing Reserve
	Local Option Tax	Emergency	LMI Grant Fund	
NET CHANGE IN CASH BALANCE	\$ (43,356)	\$ -	\$ 19,147	\$ -
CASH BALANCES, BEGINNING OF YEAR	<u>242,611</u>	<u>-</u>	<u>110,518</u>	<u>262,000</u>
CASH BALANCES, END OF YEAR	<u>\$ 199,255</u>	<u>\$ -</u>	<u>\$ 129,665</u>	<u>\$ 262,000</u>
CASH BASIS FUND BALANCES:				
Reserved:				
Debt service	\$ -	\$ -	\$ -	\$ -
Unreserved:				
General fund	-	-	-	-
Special revenue funds	199,255	-	129,665	262,000
Capital projects fund	-	-	-	-
Permanent fund	-	-	-	-
TOTAL CASH BASIS FUND BALANCES	<u>\$ 199,255</u>	<u>\$ -</u>	<u>\$ 129,665</u>	<u>\$ 262,000</u>

See accompanying independent auditor's report.

Special Revenue			Capital Projects			
Housing Project	Park and Recreation Improvement Project	Police Special Projects	Sidewalk Project	Airport Improvement	Park Improvement	Total
\$ (2,387)	\$ 1,756	\$ (1,520)	\$ 1,687	\$ -	\$ -	\$ (24,673)
20,181	27,996	5,489	(2,558)	-	-	666,237
<u>\$ 17,794</u>	<u>\$ 29,752</u>	<u>\$ 3,969</u>	<u>\$ (871)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 641,564</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
17,794	29,752	3,969	-	-	-	642,435
-	-	-	(871)	-	-	(871)
-	-	-	-	-	-	-
<u>\$ 17,794</u>	<u>\$ 29,752</u>	<u>\$ 3,969</u>	<u>\$ (871)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 641,564</u>

CITY OF WINTERSET, IOWA
 SCHEDULE OF INDEBTEDNESS
 Year Ended June 30, 2007

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount Originally Issued</u>
General obligation bonds:			
Airport improvement	December 1, 1998	5.50-6.75%	\$ 375,000
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
Street improvements	June 15, 2007	4.15-4.80%	1,810,000
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
Street improvements	June 15, 2007	4.25-4.60%	505,000
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>
\$ 240,000	\$ -	\$ 25,000	\$ 215,000	\$ 15,520	\$ -
2,700,000	-	105,000	2,595,000	108,086	-
1,585,000	-	65,000	1,520,000	56,375	-
825,000	-	-	825,000	33,757	-
-	1,810,000	-	1,810,000	-	-
<u>\$ 5,350,000</u>	<u>\$ 1,810,000</u>	<u>\$ 195,000</u>	<u>\$ 6,965,000</u>	<u>\$ 213,738</u>	<u>\$ -</u>
\$ 975,000	\$ -	\$ 90,000	\$ 885,000	\$ 48,718	\$ -
160,000	-	30,000	130,000	8,745	-
575,000	-	85,000	490,000	25,655	-
660,000	-	75,000	585,000	21,675	-
<u>\$ 2,370,000</u>	<u>\$ -</u>	<u>\$ 280,000</u>	<u>\$ 2,090,000</u>	<u>\$ 104,793</u>	<u>\$ -</u>
\$ 30,000	\$ -	\$ 15,000	\$ 15,000	\$ 1,553	\$ -
45,000	-	15,000	30,000	2,243	-
55,000	-	5,000	50,000	3,445	-
180,000	-	15,000	165,000	9,870	-
140,000	-	20,000	120,000	4,970	-
<u>\$ 450,000</u>	<u>\$ -</u>	<u>\$ 70,000</u>	<u>\$ 380,000</u>	<u>\$ 22,081</u>	<u>\$ -</u>
\$ 370,000	\$ -	\$ 40,000	\$ 330,000	\$ 14,265	\$ -
-	505,000	-	505,000	-	-
<u>\$ 370,000</u>	<u>\$ 505,000</u>	<u>\$ 40,000</u>	<u>\$ 835,000</u>	<u>\$ 14,265</u>	<u>\$ -</u>
\$ 175,000	\$ -	\$ 25,000	\$ 150,000	\$ 14,438	\$ -
90,000	-	30,000	60,000	5,850	-
120,000	-	20,000	100,000	7,800	-
125,000	-	20,000	105,000	10,000	-
125,000	-	15,000	110,000	9,375	-
2,320,000	-	70,000	2,250,000	133,463	-
<u>\$ 2,955,000</u>	<u>\$ -</u>	<u>\$ 180,000</u>	<u>\$ 2,775,000</u>	<u>\$ 180,926</u>	<u>\$ -</u>

CITY OF WINTERSET, IOWA
 SCHEDULE OF INDEBTEDNESS
 Year Ended June 30, 2007

<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
Sewer improvements	June 15, 2007	4.65-4.70%	350,000
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
Equipment lease/purchase	December 26, 2006	4.868, 5.252%	136,146
Lift station lease/purchase	November 20, 2006	0.00%	500,000
Street Improvement Warrants			
Street Improvement Series 2006B	August 9, 2006	4.00%	\$ 1,620,000

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>
\$ 2,180,000	\$ -	\$ 285,000	\$ 1,895,000	\$ 73,110	\$ -
-	350,000	-	350,000	-	-
<u>\$ 2,180,000</u>	<u>\$ 350,000</u>	<u>\$ 285,000</u>	<u>\$ 2,245,000</u>	<u>\$ 73,110</u>	<u>\$ -</u>
\$ 176,000	\$ -	\$ 10,000	\$ 166,000	\$ 6,899	\$ -
678,000	-	37,000	641,000	26,578	-
<u>\$ 854,000</u>	<u>\$ -</u>	<u>\$ 47,000</u>	<u>\$ 807,000</u>	<u>\$ 33,477</u>	<u>\$ -</u>
\$ 207,293	\$ -	\$ 21,885	\$ 185,408	\$ 9,291	\$ -
-	136,146	5,171	130,975	769	-
-	500,000	-	500,000	-	-
<u>\$ 207,293</u>	<u>\$ 636,146</u>	<u>\$ 27,056</u>	<u>\$ 816,383</u>	<u>\$ 10,060</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 1,620,000</u>	<u>\$ 1,620,000</u>	<u>\$ -</u>	<u>\$ 57,240</u>	<u>\$ -</u>

CITY OF WINTERSET, IOWA
BOND AND OTHER DEBT MATURITIES
JUNE 30, 2007

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
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>\$ 215,000</u>		<u>\$ 2,595,000</u>		<u>\$ 1,520,000</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
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>\$ 885,000</u>		<u>\$ 130,000</u>		<u>\$ 490,000</u>		<u>\$ 585,000</u>

See accompanying independent auditor's report.

General Obligation Bonds

Street Improvement		
Issued June 15, 2007		
Interest		
Rates	Amount	Total
---	\$ -	\$ 200,000
4.80	145,000	455,000
4.80	150,000	495,000
4.80	160,000	515,000
4.80	170,000	570,000
4.80	175,000	635,000
3.95	185,000	655,000
4.00	195,000	660,000
4.05	200,000	555,000
4.10	210,000	485,000
4.15	220,000	510,000
	-	155,000
	-	160,000
	-	165,000
	-	175,000
	-	185,000
	-	190,000
	-	200,000
	\$ 1,810,000	\$ 6,965,000
	\$ 1,810,000	\$ 6,965,000

General Obligation Notes

Total
\$ 290,000
300,000
315,000
325,000
305,000
210,000
215,000
130,000
\$ 2,090,000
\$ 2,090,000

CITY OF WINTERSET, IOWA
BOND AND OTHER DEBT MATURITIES
JUNE 30, 2007

State Revolving Loans					
Year Ending June 30,	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	
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	16,000	3.92	61,000	77,000
Total		<u>\$ 166,000</u>		<u>\$ 641,000</u>	<u>\$ 807,000</u>

Revenue Notes					
Year Ending June 30,	Sewer Refunding		Sewer Improvements		Total
	Issued May 1, 2003		Issued June 15, 2007		
	Interest Rates	Amount	Interest Rates	Amount	
2008	2.90	\$ 295,000		\$ -	\$ 295,000
2009	3.15	300,000		-	300,000
2010	3.40	310,000		-	310,000
2011	3.60	320,000		-	320,000
2012	3.75	330,000		-	330,000
2013	3.90	340,000		-	340,000
2014		-	4.65	65,000	65,000
2015		-	4.65	65,000	65,000
2016		-	4.65	70,000	70,000
2017		-	4.65	75,000	75,000
2018		-	4.70	75,000	75,000
		<u>#####</u>		<u>\$ 350,000</u>	<u>\$ 2,245,000</u>

See accompanying independent auditor's report.

CITY OF WINTERSET, IOWA
BOND AND OTHER DEBT MATURITIES
JUNE 30, 2007

Schedule 3
(continued)

Year Ending June 30,	Urban Renewal (TIF) Revenue Bonds								Issued Interest Rates
	Issued October 31, 1997		Issued April 1, 1998		Issued December 28, 1999		Issued December 28, 1999		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2008	8.25	\$ 25,000	6.50	\$ 30,000	6.50	\$ 20,000	8.00	\$ 25,000	7.50
2009	8.25	25,000	6.50	30,000	6.50	25,000	8.00	25,000	7.50
2010	8.25	30,000	-	-	6.50	25,000	8.00	25,000	7.50
2011	8.25	35,000	-	-	6.50	30,000	8.00	30,000	7.50
2012	8.25	35,000	-	-	-	-	-	-	7.50
2013	-	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-	-
Total		<u>\$ 150,000</u>		<u>\$ 60,000</u>		<u>\$ 100,000</u>		<u>\$ 105,000</u>	

Year Ending June 30,	Special Assessment Capital Loan Notes								Spec Street Issue Interest Rates
	Street Improvement Issued May 1, 1998		Street Improvements Issued May 1, 1999		Street Improvement Issued April 1, 2000		Paving Project Issued May 1, 2001		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2008	5.20	\$ 15,000	5.00	\$ 15,000	5.90	\$ 5,000	5.10	\$ 15,000	3.10
2009	-	-	5.05	15,000	6.00	5,000	5.20	15,000	3.40
2010	-	-	-	-	6.10	5,000	5.30	15,000	3.60
2011	-	-	-	-	6.20	5,000	5.40	20,000	3.80
2012	-	-	-	-	6.30	5,000	5.50	20,000	4.00
2013	-	-	-	-	6.40	5,000	5.60	20,000	4.20
2014	-	-	-	-	6.50	10,000	5.70	20,000	-
2015	-	-	-	-	6.60	10,000	5.80	20,000	-
2016	-	-	-	-	-	-	5.90	20,000	-
		<u>\$ 15,000</u>		<u>\$ 30,000</u>		<u>\$ 50,000</u>		<u>\$ 165,000</u>	

See accompanying independent auditor's report.

Urban Renewal (TIF) Revenue Bonds

<u>October 2, 2000</u>	<u>Issued October 2, 2000</u>		
<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
\$ 20,000	5.50	\$ 75,000	\$ 195,000
20,000	5.55	75,000	200,000
20,000	5.60	285,000	385,000
25,000	5.70	300,000	420,000
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>\$ 110,000</u>		<u>\$ 2,250,000</u>	<u>\$ 2,775,000</u>

Special Assessment Capital Loan Notes

for Street Improvements

issued May 1, 2003

<u>Amount</u>	<u>Total</u>
\$ 20,000	\$ 70,000
20,000	55,000
20,000	40,000
20,000	45,000
20,000	45,000
20,000	45,000
-	30,000
-	30,000
-	20,000
<u>\$ 120,000</u>	<u>\$380,000</u>

CITY OF WINTERSET, IOWA
 BOND AND OTHER DEBT MATURITIES
 JUNE 30, 2007

Schedule 3
 (continued)

Year Ending June 30,	Special Assessment Bonds				
	Street Improvements		Street Improvements		Total
	Issued June 1, 2005		Issued June 15, 2007		
	Interest		Interest		
Rates	Amount	Rates	Amount		
2008	3.45	\$ 40,000	4.25	\$ 50,000	\$ 90,000
2009	3.60	40,000	4.25	50,000	90,000
2010	3.75	40,000	4.25	50,000	90,000
2011	3.90	40,000	4.30	50,000	90,000
2012	4.00	40,000	4.35	50,000	90,000
2013	4.10	40,000	4.40	50,000	90,000
2014	4.20	45,000	4.45	50,000	95,000
2015	4.30	45,000	4.50	50,000	95,000
2016		-	4.55	50,000	50,000
2017		-	4.60	55,000	55,000
		<u>\$ 330,000</u>		<u>\$ 505,000</u>	<u>\$ 835,000</u>

Year Ending June 30,	Other Debt						
	Equipment Lease		Equipment Lease		Equipment Lease		Total
	Issued June 21, 2005		Issued December 26, 2006		Issued November 20, 2006		
	Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount		
2008	4.25	\$ 23,297	4.86,5.25	\$ 20,758	0.00	\$ 50,000	\$ 94,055
2009	4.25	24,287	4.86,5.25	20,966	0.00	50,000	95,253
2010	4.25	25,319	4.86,5.25	22,044	0.00	50,000	97,363
2011	4.25	26,395	4.86,5.25	23,178	0.00	50,000	99,573
2012	4.25	27,517	4.86,5.25	24,370	0.00	50,000	101,887
2013	4.25	28,687	5.25	19,659	0.00	50,000	98,346
2014	4.25	29,906		-	0.00	50,000	79,906
2015		-		-	0.00	50,000	50,000
2016		-		-	0.00	50,000	50,000
2017		-		-	0.00	50,000	50,000
		<u>\$ 185,408</u>		<u>\$ 130,975</u>		<u>\$ 500,000</u>	<u>\$ 816,383</u>

See accompanying independent auditor's report.

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

Schedule 4

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
RECEIPTS:				
Property tax	\$ 1,878,135	\$ 1,856,315	\$ 1,815,026	\$ 1,700,266
Tax incremental financing collections	801,663	769,518	713,047	812,891
Other city tax	322,460	311,528	210,607	22,273
Licenses and permits	27,486	28,568	29,831	29,601
Uses of money and property	83,292	123,163	55,493	14,616
Intergovernmental	711,213	730,438	791,715	733,075
Charges for services	182,917	162,774	112,847	114,537
Special assessments	170,804	251,903	208,722	137,024
Miscellaneous	375,817	292,992	261,777	961,864
TOTAL	<u>\$ 4,553,787</u>	<u>\$ 4,527,199</u>	<u>\$ 4,199,065</u>	<u>\$ 4,526,147</u>
DISBURSEMENTS:				
Operating:				
Public safety	\$ 907,983	\$ 714,439	\$ 758,943	\$ 697,160
Public works	530,304	507,333	507,548	490,767
Health and social services	3,000	3,000	3,000	3,000
Culture and recreation	878,881	827,767	697,301	674,700
Community and economic development	337,126	294,662	384,100	176,802
General government	410,333	353,632	338,534	318,477
Debt service	1,314,041	1,412,611	1,079,456	1,050,868
Capital projects	4,107,189	3,945,896	1,491,659	264,334
Business type activities	-	750	372	844,185
TOTAL	<u>\$ 8,488,857</u>	<u>\$ 8,060,090</u>	<u>\$ 5,260,913</u>	<u>\$ 4,520,293</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 \$5.05 per 100 cubic feet. There is a \$10.00 minimum charge.

Number of Users - The City has approximately 1,800 residential users and approximately 250 commercial and industrial users.

Largest Users - The largest sewer customers for the 2006-2007 year were as follows:

<u>Customer</u>	<u>Cubic Feet Sold</u>
Winterset Care Center North	452,100
Star Quality Care Center	362,000
Best Kar Inc. East	227,200
Winterset Care Center South	169,800
Madison County Hospital	138,000
Lou and Coe Erpelding	129,400
Super 8 Motel	121,100
Winterset High School	120,200
Winterset Elementary School	115,900
Best Kar Inc. South	103,500

See accompanying independent auditor's report.

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
City of Winterset, Iowa

We have audited the accompanying 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, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated September 28, 2007. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Winterset, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Winterset, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects City of Winterset, Iowa's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of City of Winterset, Iowa's financial statements that is more than inconsequential will not be prevented or detected by City of Winterset, Iowa's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by City of Winterset, Iowa's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Winterset, Iowa's 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 non-compliance or other matters 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, 2007, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Winterset, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Winterset, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Winterset, Iowa, and other parties to whom 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, Mitchell + Co., P.C.

September 28, 2007

CITY OF WINTERSET, IOWA
SCHEDULE OF FINDINGS
Year Ended June 30, 2007

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

REPORTABLE CONDITIONS

2007-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 – The City will review its control procedures in order to segregate duties to the maximum extent possible.

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.

2007-B Sewer Rates For Services - During our testing of the sewer revenues, we discovered that the rate increase effective for May 2007 billings was not changed in the system and the new rates were not billed to the customers for the May and June billings.

Recommendation – The City should review the procedures for the sewer utility billings function to ensure that the proper rates are entered in the utility billing system for each billing period as approved by the City Council.

Response – A monthly billing tabulation has been started which independently calculates and verifies the accuracy of the sewer bills.

Conclusion – Response acknowledged.

2007-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 acknowledged.

CITY OF WINTERSET, IOWA
SCHEDULE OF FINDINGS
Year Ended June 30, 2007

OTHER FINDINGS RELATED TO STATUTORY REPORTING:

- 2007-1 Certified Budget – Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the community and economic development and capital projects prior to budget amendment and the final budget in the public safety and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”
- 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 was exceeded because of a difference in understanding of what transactions should be included in the financial report. The City’s financial report showed that the budget was not exceeded in any function. Transactions of entities other than the City were included in the audit report, resulting in the public safety and business type activities exceeding the budget.
- Conclusion – The audit adjustments proposed to record these transactions were approved by City management prior to the completion of the audit. The transactions for which these adjustments were proposed were for the purchase of equipment and the related debt incurred as part of the lease purchase financing for the purchases. The financing agents made the payments directly to the equipment suppliers. These transactions were for the purchase of equipment by the City, were approved by the City Council, as required, and are includable as a budget item for the City and are includable in the City financial statements.
- 2007-2 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.
- 2007-3 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- 2007-4 Business Transactions – No business transactions between the City and City officials or employees were disclosed.
- 2007-5 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

CITY OF WINTERSET, IOWA
SCHEDULE OF FINDINGS
Year Ended June 30, 2007

2007-6 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 were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation - The City should comply with Chapter 21 of the Code of Iowa and should publish minutes and annual individual salaries as required.

Response – The minutes of the May 21, 2007 meeting were published on June 6, 2007, which was more than 15 days after the meeting date. These minutes were not timely published because of a change in the newspaper's submittal deadline due to the Memorial Day holiday on May 28, 2007.

Conclusion – Response acknowledged.

2007-7 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.

2007-8 Revenue Bonds and Notes - The City has complied with the revenue bond and note resolutions.

2007-9 Financial Condition – The Capital Projects, Downtown Improvement Project Fund had a deficit balance of \$278,169 and the Sidewalk Project had a deficit balance of \$871 at June 30, 2007.

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

Response – Fund balance of a capital improvement project fund at the end of a fiscal year on June 30 reflects activity of the project in the middle of the construction season. The City issues bonds to finance a construction project at the end of the construction work when all costs are known. After the bonds are issued and the bond proceeds are received, the project fund no longer has a deficit balance.

Conclusion – Response acknowledged.