

CITY OF WINTERSET, IOWA

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

Year Ended June 30, 2010

CITY OF WINTERSET, IOWA  
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CITY OF WINTERSET, IOWA  
CITY OFFICIALS  
June 30, 2010

(Before January 2010)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James Olson	Mayor	January 1, 2010
Howard Harrell	Council Member/Mayor Pro tem	January 1, 2012
Kirk Macumber	Council Member	January 1, 2012
Edmund Seaward	Council Member	January 1, 2010
Philip Macumber	Council Member	January 1, 2010
Scott Stover	Council Member	January 1, 2012
Mark Nitchals	City Administrator	Indefinite
John Casper	Attorney	Indefinite

(After January 2010)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James Olson	Mayor	January 1, 2012
Howard Harrell	Council Member/Mayor Pro tem	January 1, 2012
Kirk Macumber	Council Member	January 1, 2012
Robert Gideon	Council Member	January 1, 2014
Philip Macumber	Council Member	January 1, 2014
Scott Stover	Council Member	January 1, 2012
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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Winterset, Iowa, as of and for the year ended June 30, 2010, 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 and one of two component units of the City as described in Note 1. The financial statements do not include financial data for one of 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, 2010, 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 July 21, 2010.

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, the discretely presented component unit, each major fund, the aggregate remaining fund information of the primary government and component unit of the City of Winterset, Iowa, as of June 30, 2010, 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 November 12, 2010, 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 and discretely presented component unit that collectively comprise the City of Winterset, Iowa's 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, 2009 (none of which are presented herein) were audited by us 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, Mickelson + Co., P.C.*

November 12, 2010

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, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2010 Financial Highlights**

During this fiscal year, a major bond refinancing occurred involving the redemption of three older bond issues and the advanced refunding of three other bond issues. Interest rates were lowered, and bond principal payments were modified, and as a result, there will be a significant reduction in future debt service payments. As part of this refinancing, over \$3 million in bond proceeds were put in escrow with a trustee for future bond redemptions. These escrow funds are included in the audit report, resulting in an ending fund balance that is skewed significantly higher. Wherever possible, this management discussion and analysis report will separate out the escrow funds in an effort to portray a more accurate picture of the financial condition of the City.

When the escrow funds are not included, revenues of the City increased by about 5.2% compared to the previous year. Disbursements of the City decreased by about 2.4% compared to the previous year.

### **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 cash basis 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 of accounting.

## **Reporting the City's Financial Activities**

### Government-wide Financial Statement

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 Trust and Agency, (3) the TIF Special Revenue Funds, which include the tax increment financing funds, (4) the Debt Service Fund, and (5) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

2. Proprietary funds 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 and the Garbage Fund. In addition, the City provides payroll accounting and reporting for the Winterset Municipal Utilities, and these expenditures and subsequent reimbursements are included with the proprietary funds.

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

The City's cash balance for governmental activities as of June 30, 2009 was about \$988,000. The ending fund balance was over \$4,159,000 which included \$3,085,000 held in escrow for future bond refinancing. When the escrow funds are factored out, the ending cash balance in the governmental funds increased by about \$86,000 to an ending balance of about \$1,074,000.

The proprietary funds also saw an increase in ending fund balance increasing about \$74,000 from \$365,000 to about \$439,000. The analysis that follows focuses on the cash basis net assets for FY 2010 as compared to the previous year for the governmental funds.

The analysis that follows focuses on the cash basis net assets for FY 2010 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>2010</u>	<u>2009</u>
<b>RECEIPTS AND TRANSFERS:</b>		
Property tax	\$ 2,135	\$ 2,145
TIF revenue	1,003	751
Other City taxes	309	326
License and permits	22	40
Use of money and property	17	17
Intergovernmental	781	740
Charges for service	208	188
Special assessments	821	223
Miscellaneous	168	208
Sale of assets	3	2
Bond proceeds	<u>3,965</u>	<u>1,396</u>
<b>TOTAL RECEIPTS AND TRANSFERS</b>	<b><u>\$ 9,432</u></b>	<b><u>\$ 6,036</u></b>

	<u>Year Ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
<b>EXPENDITURES AND TRANSFERS OUT:</b>		
Public safety	\$ 831	\$ 826
Public works	507	580
Health and social services	4	4
Culture and recreation	1,003	1,053
Community and economic development	301	255
General government	396	397
Debt service	1,920	1,649
Capital projects	1,299	1,654
Business type activities	---	---
<b>TOTAL DISBURSEMENTS</b>	<b><u>\$ 6,261</u></b>	<b><u>\$ 6,418</u></b>
Increase (decrease) in cash basis net assets	\$ 3,171	\$ (382)
Cash basis net assets, beginning of year	<u>988</u>	<u>1,370</u>
Cash basis net assets, end of year	<b><u>\$ 4,159</u></b>	<b><u>\$ 988</u></b>

The analysis that follows focuses on the cash basis net assets for FY 2010 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>2010</u>	<u>2009</u>
<b>RECEIPTS:</b>		
Use of money and property	\$ 4	\$ 3
Charges for service	1,386	1,236
Miscellaneous	---	5
Utility reimbursements	1,006	1,060
Bond proceeds	<u>121</u>	<u>---</u>
<b>TOTAL RECEIPTS</b>	<b><u>\$ 2,517</u></b>	<b><u>\$ 2,304</u></b>
<b>EXPENDITURES</b>		
Sewer operations	\$ 420	\$ 488
Capital projects	187	97
Sewer debt service	456	454
Garbage operations	243	239
Utility payroll reimbursements	1,006	1,060
Transfers out	<u>131</u>	<u>---</u>
<b>TOTAL DISBURSEMENTS</b>	<b><u>\$ 2,443</u></b>	<b><u>\$ 2,338</u></b>
Increase/decrease in cash basis net assets	\$ 74	\$ (34)
Cash basis net assets, beginning of year	<u>365</u>	<u>399</u>
Cash basis net assets, end of year	<b><u>\$ 439</u></b>	<b><u>\$ 365</u></b>

## **Individual Major Governmental Fund Analysis**

As the City of Winterset completed the year, its governmental funds reported a combined fund balance of \$4,159,000 which includes about \$3,085,000 held by a trustee in escrow for future bond refinancing. When the escrow funds are factored out, the City had a combined fund balance of \$1,074,000 in its governmental funds. The enterprise fund balances were \$439,530.

Within the governmental funds, the various funds of the City were affected differently. The General Fund experienced a slight decrease of \$15,444 from the prior year for an ending cash balance of \$240,707.

The various funds that make up the special revenue funds realized an increase in cash balance of \$139,381 during the fiscal year. Special revenue funds include the Road Use Tax Fund, the Trust and Agency Fund, and the Local Option Sales Tax Fund.

The TIF special revenue funds ending balance decreased by \$359,000. Most of this decrease is attributed to a bond debt refinancing that occurred in 2010, when TIF debt was converted to general obligation debt. As a result, the TIF bond reserve fund of \$240,000 was no longer required, so this reserve fund was eliminated and the \$240,000 in the fund was used as part of the bond refinancing. Also, as TIF debt payments supported by these TIF districts are being paid off, some of the TIF fund balances are being reduced.

The Debt Service fund cash balance increased by \$3,124,000 but this included \$3,085,000 held in escrow by a trustee for future bond refinancing. When the escrow funds are not included, the debt service fund balance increased by \$39,876 to an ending fund balance of \$234,419.

The Sewer Utility Fund cash balance increased by about \$79,000 during this fiscal year.

The Garbage Fund balance showed a decrease of about \$4,600 during the 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 2010 was approved by the City Council on March 2, 2009, and later amended on May 3, 2010. The budget amendment was necessary primarily because of increased snow removal costs, and because of transactions related to refinancing several older bond issues.

## **Debt Administration**

The City's total debt increased from June 30, 2009 to June 30, 2010, as shown below:

Outstanding Debt at Year End  
(Expressed in Thousands)

	<u>Year Ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
General obligation bonds/notes	\$ 10,690	\$ 7,375
Urban renewal tax increment financing revenue bonds	1,995	2,380
Sewer revenue bonds	2,116	2,358
Special assessment bonds	780	910
Local option sales tax bond	<u>2,270</u>	<u>2,380</u>
Total debt	<u>\$17,851</u>	<u>\$15,403</u>

The June 30, 2010 figure includes \$3,085,000 bond proceeds held in escrow by a trustee for future bond redemption over the next two years. The escrow fund will be fully disbursed on June 1, 2012. When the escrow bond proceeds are not included, the June 30, 2010 outstanding debt was \$14,766,000, a decrease of \$637,000 compared to the previous year.

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, 2010 was \$13,264,912. The City's combined general obligation and tax increment financing debt, not including funds held in escrow, total \$9,600,000. 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 2011-12 budget, tax rates, and fees that will be charged for various City activities. For the entire budget, appropriations are decreased by about 3.7%. Property tax revenues are projected to increase by 4.3%, even though tax rates will decrease by 1.3%. Taxable property valuations increased by 6.8% for FY 2012. Part of the increase in taxable valuations can be attributed to a shift of valuations out of TIF districts. The debt paid from the West Court TIF district will be paid off in FY 2010-11, and the debt from the West End TIF district will be paid off in FY 2011-12. As a result, taxable valuation will be shifted out of the TIF districts into regular taxable valuation.

It should be noted that it is difficult to make valid comparisons of revenues and expenditures between fiscal years. There can be much variability from one budget to the next. Capital improvements projects change from year to year, debt service payments change based on outstanding debt loads, and new city enterprises, such as the new contracted garbage service, make it difficult to make comparisons.

### **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, 2010

Exhibit A

		PROGRAM RECEIPTS		
	Disbursements	Charges For Services	Operating Grants Contributions, and Restricted Interest	Capital Grants Contributions and Restricted Interest
<b>FUNCTIONS/PROGRAMS:</b>				
Governmental activities:				
Public safety	\$ 831,732	\$ 30,010	\$ 82,219	\$ -
Public works	507,351	219	452,288	-
Health and social services	4,500	-	-	-
Culture and recreation	1,002,727	295,115	12,895	-
Community/economic development	300,625	68	-	-
General government	396,015	12,609	-	-
Debt service	2,859,284	-	2,561	-
Capital projects	2,813,047	-	-	630,584
Business type activities	-	-	-	-
Total governmental activities	<u>\$ 8,715,281</u>	<u>\$ 338,021</u>	<u>\$ 549,963</u>	<u>\$ 630,584</u>
Business type activities:				
Sewer	\$ 1,062,841	\$ 1,146,928	\$ 4,130	\$ -
Garbage	243,658	238,980	-	-
Utility reimbursement	1,006,377	-	-	-
Total business type activities	<u>\$ 2,312,876</u>	<u>\$ 1,385,908</u>	<u>\$ 4,130</u>	<u>\$ -</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 11,028,157</u>	<u>\$ 1,723,929</u>	<u>\$ 554,093</u>	<u>\$ 630,584</u>
<b>COMPONENT UNIT:</b>				
Friends of the Library	<u>\$ 41,104</u>	<u>\$ -</u>	<u>\$ 39,188</u>	<u>\$ 521,433</u>
<b>GENERAL RECEIPTS:</b>				
Property taxes levied for:				
General purposes				
Tax incremental financing				
Employee benefits				
Debt service				
Hotel/motel sales tax				
Payment in lieu of taxes				
Local option sales tax				
Interest on investments				
Bond/note/warrants proceeds				
Miscellaneous				
Sale of assets				
Transfers				
<b>TOTAL GENERAL RECEIPTS</b>				
<b>CHANGE IN CASH BASIS NET ASSETS</b>				
<b>CASH BASIS NET ASSETS, BEGINNING OF YEAR</b>				
<b>CASH BASIS NET ASSETS, END OF YEAR</b>				
<b>CASH BASIS NET ASSETS:</b>				
Restricted:				
Expendable:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
<b>TOTAL CASH BASIS NET ASSETS</b>				

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

NET (DISBURSEMENTS) RECEIPTS AND CHANGES IN CASH BASIS NET ASSETS			COMPONENT UNIT
Governmental Activities	Business Type Activities	Total	Friends of the Library
\$ (719,503)	\$ -	\$ (719,503)	\$ -
(54,844)	-	(54,844)	-
(4,500)	-	(4,500)	-
(694,717)	-	(694,717)	-
(300,557)	-	(300,557)	-
(383,406)	-	(383,406)	-
(2,856,723)	-	(2,856,723)	-
(2,182,463)	-	(2,182,463)	-
-	-	-	-
<u>\$ (7,196,713)</u>	<u>\$ -</u>	<u>\$ (7,196,713)</u>	<u>\$ -</u>
\$ -	\$ 88,217	\$ 88,217	\$ -
-	(4,678)	(4,678)	-
-	(1,006,377)	(1,006,377)	-
<u>\$ -</u>	<u>\$ (922,838)</u>	<u>\$ (922,838)</u>	<u>\$ -</u>
<u>\$ (7,196,713)</u>	<u>\$ (922,838)</u>	<u>\$ (8,119,551)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 519,517</u>
\$ 1,205,920	\$ -	\$ 1,205,920	\$ -
1,003,062	-	1,003,062	-
486,960	-	486,960	-
634,845	-	634,845	-
25,268	-	25,268	-
204,000	-	204,000	-
283,379	-	283,379	-
14,567	-	14,567	-
6,288,234	121,056	6,409,290	-
88,138	1,006,417	1,094,555	-
2,984	-	2,984	-
130,594	(130,594)	-	-
<u>\$ 10,367,951</u>	<u>\$ 996,879</u>	<u>\$ 11,364,830</u>	<u>\$ -</u>
\$ 3,171,238	\$ 74,041	\$ 3,245,279	\$ 519,517
987,913	365,489	1,353,402	418,741
<u>\$ 4,159,151</u>	<u>\$ 439,530</u>	<u>\$ 4,598,681</u>	<u>\$ 938,258</u>
\$ 58,070	\$ -	\$ 58,070	
96,499	-	96,499	
3,319,274	355,298	3,674,572	
444,601	79,894	524,495	
240,707	4,338	245,045	
<u>\$ 4,159,151</u>	<u>\$ 439,530</u>	<u>\$ 4,598,681</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, 2010

Exhibit B

	SPECIAL REVENUE		
General	Road Use Tax	Employee Benefits	
RECEIPTS:			
Property taxes	\$ 1,205,920	\$ -	\$ 486,960
Tax increment financing collections	-	-	-
Other city taxes	25,268	-	-
Licenses and permits	21,738	-	-
Use of money and property	14,111	-	-
Intergovernmental	339,454	442,288	-
Charges for service	208,278	-	-
Special assessments	-	-	-
Miscellaneous	137,894	-	-
Total receipts	\$ 1,952,663	\$ 442,288	\$ 486,960
DISBURSEMENTS:			
Operating:			
Public safety	\$ 638,022	\$ -	\$ 193,710
Public works	33,817	381,369	92,165
Health and social services	4,500	-	-
Culture and recreation	844,279	-	158,448
Community/economic development	55,398	-	-
General government	346,815	-	49,201
Debt service	-	-	-
Capital projects	-	-	-
Business type activities	-	-	-
Total disbursements	\$ 1,922,831	\$ 381,369	\$ 493,524
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 29,832	\$ 60,919	\$ (6,564)
OTHER FINANCING SOURCES (USES):			
Sale of capital assets	\$ 2,984	\$ -	\$ -
Bond proceeds, net	-	-	-
Debt redeemed	-	-	-
Anticipatory notes issued	-	-	-
Anticipatory notes redeemed	-	-	-
Operating transfers in	-	-	-
Operating transfers out	(48,260)	(20,825)	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ (45,276)	\$ (20,825)	\$ -
NET CHANGE IN CASH BALANCES	\$ (15,444)	\$ 40,094	\$ (6,564)
CASH BALANCES, BEGINNING OF YEAR	256,151	17,976	55,211
CASH BALANCES, END OF YEAR	\$ 240,707	\$ 58,070	\$ 48,647
CASH BASIS FUND BALANCES:			
Reserved:			
Debt service	\$ -	\$ -	\$ -
Unreserved:			
General fund	240,707	-	-
Special revenue funds	-	58,070	48,647
Capital projects fund	-	-	-
TOTAL CASH BASIS FUND BALANCES	\$ 240,707	\$ 58,070	\$ 48,647

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

	<u>CAPITAL PROJECTS</u>	Other Nonmajor Governmental Funds	Total
Debt Service	Paving Project		
\$ 442,501	\$ -	\$ -	\$ 2,135,381
-	-	1,003,062	1,003,062
-	-	283,379	308,647
-	-	-	21,738
2,561	-	463	17,135
-	-	-	781,742
-	-	-	208,278
192,343	628,014	170	820,527
11,823	-	18,480	168,197
<u>\$ 649,228</u>	<u>\$ 628,014</u>	<u>\$ 1,305,554</u>	<u>\$ 5,464,707</u>
\$ -	\$ -	\$ -	\$ 831,732
-	-	-	507,351
-	-	-	4,500
-	-	-	1,002,727
-	-	245,227	300,625
-	-	-	396,016
1,735,860	-	183,955	1,919,815
-	964,799	333,797	1,298,596
-	-	-	-
<u>\$ 1,735,860</u>	<u>\$ 964,799</u>	<u>\$ 762,979</u>	<u>\$ 6,261,362</u>
<u>\$(1,086,632)</u>	<u>\$(336,785)</u>	<u>\$ 542,575</u>	<u>\$(796,655)</u>
\$ -	\$ -	\$ -	\$ 2,984
3,845,953	515,831	442,200	4,803,984
(939,469)	-	-	(939,469)
-	1,079,251	405,000	1,484,251
-	(1,100,668)	(413,783)	(1,514,451)
1,304,859	-	131,496	1,436,355
-	-	(1,236,676)	(1,305,761)
<u>\$ 4,211,343</u>	<u>\$ 494,414</u>	<u>\$ (671,763)</u>	<u>\$ 3,967,893</u>
\$ 3,124,711	\$ 157,629	\$ (129,188)	\$ 3,171,238
194,563	(124,997)	589,009	987,913
<u>\$ 3,319,274</u>	<u>\$ 32,632</u>	<u>\$ 459,821</u>	<u>\$ 4,159,151</u>
\$ 3,319,274	\$ -	\$ -	\$ 3,319,274
-	-	-	240,707
-	-	435,853	542,570
-	32,632	23,968	56,600
<u>\$ 3,319,274</u>	<u>\$ 32,632</u>	<u>\$ 459,821</u>	<u>\$ 4,159,151</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, 2010

Exhibit C

	Enterprise			Total
	Sewer	Garbage	Utility Reimbursement	
OPERATING RECEIPTS:				
Use of money and property	\$ 4,130	\$ -	\$ -	\$ 4,130
Charge for service	1,146,928	238,980	-	1,385,908
Miscellaneous	40	-	1,006,377	1,006,417
Total operating receipts	<u>\$ 1,151,098</u>	<u>\$ 238,980</u>	<u>\$ 1,006,377</u>	<u>\$ 2,396,455</u>
OPERATING DISBURSEMENTS:				
Business type activities	<u>\$ 1,062,841</u>	<u>\$ 243,658</u>	<u>\$ 1,006,377</u>	<u>\$ 2,312,876</u>
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS (OVER) UNDER OPERATING DISBURSEMENTS	<u>\$ 88,257</u>	<u>\$ (4,678)</u>	<u>\$ -</u>	<u>\$ 83,579</u>
OTHER FINANCING SOURCES (USES):				
Bond proceeds, net	\$ 121,056	\$ -	\$ -	\$ 121,056
Transfers out	<u>(130,594)</u>	<u>-</u>	<u>-</u>	<u>(130,594)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (9,538)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,538)</u>
NET CHANGE IN CASH BALANCES	\$ 78,719	\$ (4,678)	\$ -	\$ 74,041
CASH BALANCES, BEGINNING OF YEAR	<u>362,917</u>	<u>2,572</u>	<u>-</u>	<u>365,489</u>
CASH BALANCES, END OF YEAR	<u><u>\$ 441,636</u></u>	<u><u>\$ (2,106)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 439,530</u></u>
CASH BASIS FUND BALANCES:				
Reserved for debt service/maintenance	\$ 435,192	\$ -	\$ -	\$ 435,192
Unreserved	<u>6,444</u>	<u>(2,106)</u>	<u>-</u>	<u>4,338</u>
Total cash basis fund balances	<u><u>\$ 441,636</u></u>	<u><u>\$ (2,106)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 439,530</u></u>

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

CITY OF WINTERSET, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

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 and garbage pickup services 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 financial statements present the City of Winterset (the primary government) one discretely presented component unit. The component units discussed below are included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

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. It has not been included in these government financial statements. Complete financial statements of the individual component unit, which issued separate financial statements, can be obtained from its administrative office.

CITY OF WINTERSET, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

Discretely Presented Component Unit

The Winterset Friends of the Library is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Friends of the Library is governed by a five member board of members of the Library Board and two public members. The Library Board is appointed by the City Council.

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.

CITY OF WINTERSET, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

Fund Financial Statements – Separate 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.

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.

CITY OF WINTERSET, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

Capital Projects:

The Paving Project Fund is used to account for the repaving of streets within the City.

The City reports the following major proprietary funds:

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

The Garbage Fund accounts for the operation of collection of solid waste within the City.

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.

CITY OF WINTERSET, IOWA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2010

Note 2. Cash and Pooled Investments

The City's deposits in banks at June 30, 2010, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

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:

Year Ending <u>June 30,</u>	General Obligation Bonds	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 1,165,000	\$ 447,300
2012	1,165,000	419,352
2013	1,270,000	387,272
2014	1,295,000	349,040
2015	1,670,000	303,184
2016-2020	5,325,000	736,308
2021-2025	<u>1,070,000</u>	<u>120,312</u>
TOTAL	<u>\$12,960,000</u>	<u>\$2,762,768</u>

CITY OF WINTERSET, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 3. Bonds and Notes Payable (continued)

Year Ending June 30,	Sewer Revenue Notes		Special Assessment Capital Loan	
	Principal	Interest	Principal	Interest
2011	\$ 320,000	\$ 53,468	\$ 45,000	\$ 11,055
2012	330,000	41,948	45,000	8,885
2013	340,000	29,573	45,000	6,650
2014	65,000	16,313	30,000	4,790
2015	65,000	13,290	30,000	3,000
2016-2020	220,000	20,806	20,000	1,180
2021-2025	---	---	---	---
TOTAL	<u>\$1,340,000</u>	<u>\$ 175,398</u>	<u>\$ 215,000</u>	<u>\$ 35,560</u>

Year Ending June 30,	Special Assessment Bonds		Urban Renewal Tax Increment Financing Revenue Bonds	
	Principal	Interest	Principal	Interest
2011	\$ 90,000	\$ 24,430	\$ 420,000	\$ 119,275
2012	90,000	20,720	410,000	93,063
2013	90,000	16,945	365,000	68,175
2014	95,000	13,105	390,000	47,005
2015	95,000	8,990	410,000	24,190
2016-2020	105,000	7,335	---	---
2021-2025	---	---	---	---
TOTAL	<u>\$ 565,000</u>	<u>\$ 91,525</u>	<u>\$1,995,000</u>	<u>\$ 351,708</u>

Year Ending June 30,	State Revolving Loans		Other Debt	
	Principal	Interest	Principal	Interest
2011	\$ 54,000	\$ 22,663	\$ 99,573	\$ 7,806
2012	57,000	18,030	101,887	5,493
2013	180,056	16,320	98,346	3,094
2014	62,000	14,550	79,906	1,271
2015	64,000	12,690	50,000	---
2016-2020	359,000	33,060	100,000	---
2021-2025	---	---	---	---
TOTAL	<u>\$ 776,056</u>	<u>\$ 117,313</u>	<u>\$ 529,712</u>	<u>\$ 17,664</u>

CITY OF WINTERSET, IOWA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2010

Note 3. Bonds and Notes Payable (continued)

Year Ending <u>June 30,</u>	Total	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 2,193,573	\$ 685,997
2012	2,198,887	607,491
2013	2,388,402	528,029
2014	2,016,906	446,074
2015	2,384,000	365,344
2016-2020	6,129,000	798,689
2021-2025	<u>1,070,000</u>	<u>120,312</u>
TOTAL	<u>\$18,380,768</u>	<u>\$3,551,936</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.

CITY OF WINTERSET, IOWA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2010

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 4.10% of their annual salary and the City is required to contribute 6.35%. 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, 2010, 2009, and 2008 was \$142,530, \$134,069, and \$124,837 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, 2010, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 64,369
Sick leave	<u>79,568</u>
Total	<u>\$143,937</u>

This liability has been computed based on rates of pay as of June 30, 2010.

CITY OF WINTERSET, IOWA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2010

Note 6. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt service	General	\$ 48,260
	Special revenue:	
	Tax increment financing	664,217
	Local option tax	220,624
	TIF reserve	240,000
	Enterprise:	
	Sewer	130,594
	Capital projects:	
	Aquatic center	<u>1,164</u>
		<u>\$1,304,859</u>
Special revenue: LMI grant fund	Special revenue: Tax increment financing	<u>\$ 90,671</u>
Housing project	Special revenue: LMI grant fund	<u>\$ 20,000</u>
Sewer improvement Project	Special revenue: Road use	<u>\$ 20,825</u>
Total		<u>\$1,436,355</u>

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

CITY OF WINTERSET, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

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.

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:

CITY OF WINTERSET, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 9. Capital Leases (continued)

	Year Ended June 30,		
Total future minimum lease payments:	2011	\$	31,177
	2012		31,177
	2013		31,177
	2014		<u>31,176</u>
		\$	<u>124,707</u>
Less amount representing interest			<u>(12,202)</u>
Present value of future minimum lease Payments		\$	<u>112,505</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, 2017. 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:	2011	\$	50,000
	2012		50,000
	2013		50,000
	2014		50,000
	2015		50,000
	2016		50,000
	2017		<u>50,000</u>
		\$	<u>350,000</u>
Less amount representing interest			<u>---</u>
Present value of future minimum lease Payments		\$	<u>350,000</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:

CITY OF WINTERSET, IOWA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2010

Note 9. Capital Leases (continued)

	Year Ended June 30,		
Total future minimum lease payments:	2011	\$	26,203
	2012		26,203
	2013		<u>20,263</u>
		\$	72,669
Less amount representing interest			<u>(5,462)</u>
Present value of future minimum lease Payments		\$	<u>67,207</u>

Note 10. Deficit Fund Balances

The Capital Projects, the Sidewalk Project had a deficit balance of \$411. 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. Subsequent Events

Management has evaluated subsequent events through November 12, 2010, the date on which the financial statements were available to be issued.

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, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Net
RECEIPTS:			
Property tax	\$ 2,135,381	\$ -	\$ 2,135,381
Tax increment financing collections	1,003,062	-	1,003,062
Other city tax	308,647	-	308,647
Licenses and permits	21,738	-	21,738
Use of money and property	17,135	4,130	21,265
Intergovernmental	781,742	-	781,742
Charges for service	208,278	1,385,908	1,594,186
Special assessments	820,527	-	820,527
Miscellaneous	168,197	1,006,417	1,174,614
TOTAL RECEIPTS	<u>\$ 5,464,707</u>	<u>\$ 2,396,455</u>	<u>\$ 7,861,162</u>
DISBURSEMENTS:			
Public safety	\$ 831,732	\$ -	\$ 831,732
Public works	507,351	-	507,351
Health and social services	4,500	-	4,500
Culture and recreation	1,002,727	-	1,002,727
Community and economic development	300,625	-	300,625
General government	396,016	-	396,016
Debt service	1,919,815	-	1,919,815
Capital projects	1,298,596	-	1,298,596
Business type activities	-	2,312,876	2,312,876
TOTAL DISBURSEMENTS	<u>\$ 6,261,362</u>	<u>\$ 2,312,876</u>	<u>\$ 8,574,238</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (796,655)	\$ 83,579	\$ (713,076)
OTHER FINANCING SOURCES, NET	<u>3,967,893</u>	<u>(9,538)</u>	<u>3,958,355</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	\$ 3,171,238	\$ 74,041	\$ 3,245,279
BALANCE, BEGINNING OF YEAR	<u>987,913</u>	<u>365,489</u>	<u>1,353,402</u>
BALANCE, END OF YEAR	<u>\$ 4,159,151</u>	<u>\$ 439,530</u>	<u>\$ 4,598,681</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
\$ 2,065,086	\$ 2,065,086	\$ 70,295
1,006,911	1,006,911	(3,849)
362,935	362,935	(54,288)
31,575	31,575	(9,837)
51,200	51,200	(29,935)
737,060	737,060	44,682
1,636,500	1,636,500	(42,314)
180,000	180,000	640,527
1,316,584	1,316,584	(141,970)
<u>\$ 7,387,851</u>	<u>\$ 7,387,851</u>	<u>\$ 473,311</u>
\$ 850,801	\$ 850,801	\$ 19,069
505,102	535,102	27,751
4,500	4,500	-
1,015,418	1,015,418	12,691
282,934	302,934	2,309
391,400	396,400	384
1,892,456	2,141,895	222,080
1,410,000	1,410,000	111,404
2,646,376	2,646,376	333,500
<u>\$ 8,998,987</u>	<u>\$ 9,303,426</u>	<u>\$ 729,188</u>
\$ (1,611,136)	\$ (1,915,575)	\$ 1,202,499
<u>1,935,000</u>	<u>1,934,900</u>	<u>2,023,455</u>
\$ 323,864	\$ 19,325	<u><u>\$ 3,225,954</u></u>
<u>1,408,350</u>	<u>1,408,350</u>	
<u><u>\$ 1,732,214</u></u>	<u><u>\$ 1,427,675</u></u>	

CITY OF WINTERSET, IOWA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
June 30, 2010

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 \$304,439. 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, 2010

Schedule 1

	Special Revenue				
	Local Option Tax	Tax Increment Financing	LMI Grant Fund	Tax Increment Financing Reserve	Housing Project
<b>RECEIPTS:</b>					
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increment financing collections	-	1,003,062	-	-	-
Other city tax	283,379	-	-	-	-
Licenses and permits	-	-	-	-	-
Uses of money and property	456	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Special assessments	-	-	-	-	-
Miscellaneous	-	-	-	-	10,068
<b>TOTAL RECEIPTS</b>	<b>\$ 283,835</b>	<b>\$ 1,003,062</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,068</b>
<b>DISBURSEMENTS:</b>					
Operating:					
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -
Public works	-	-	-	-	-
Health and social services	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community and economic development	-	183,242	37,381	-	24,604
General government	-	-	-	-	-
Debt service	-	183,955	-	-	-
Capital projects	-	-	-	-	-
<b>TOTAL DISBURSEMENTS</b>	<b>\$ -</b>	<b>\$ 367,197</b>	<b>\$ 37,381</b>	<b>\$ -</b>	<b>\$ 24,604</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>\$ 283,835</b>	<b>\$ 635,865</b>	<b>\$ (37,381)</b>	<b>\$ -</b>	<b>\$ (14,536)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Sale of capital assets	\$ -	\$ -	\$ -	\$ -	\$ -
Bond proceeds, net	-	-	-	-	-
Anticipatory notes issued	-	-	-	-	-
Anticipatory notes redeemed	-	-	-	-	-
Operating transfers in	-	-	90,671	-	20,000
Operating transfers out	(220,624)	(754,888)	(20,000)	(240,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ (220,624)</b>	<b>\$ (754,888)</b>	<b>\$ 70,671</b>	<b>\$ (240,000)</b>	<b>\$ 20,000</b>

See accompanying independent auditor's report.

Special Revenue		Capital Projects						
Park and Recreation Improvement Project	Police Special Projects	Sidewalk Project	Aquatic Center Project	Downtown Improvement Project	Sewer Improvement Project	Park Improvement Project	Total	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
-	-	-	-	-	-	-	1,003,062	
-	-	-	-	-	-	-	283,379	
-	-	-	-	-	-	-	-	
7	-	-	-	-	-	-	463	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	170	-	-	-	-	170	
3,880	-	2,132	-	-	-	2,400	18,480	
<u>\$ 3,887</u>	<u>\$ -</u>	<u>\$ 2,302</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,400</u>	<u>\$ 1,305,554</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	245,227	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	183,955	
-	-	4,961	-	106,248	222,273	315	333,797	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,961</u>	<u>\$ -</u>	<u>\$ 106,248</u>	<u>\$ 222,273</u>	<u>\$ 315</u>	<u>\$ 762,979</u>	
<u>\$ 3,887</u>	<u>\$ -</u>	<u>\$ (2,659)</u>	<u>\$ -</u>	<u>\$ (106,248)</u>	<u>\$ (222,273)</u>	<u>\$ 2,085</u>	<u>\$ 542,575</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
-	-	40,000	-	180,000	222,200	-	442,200	
-	-	37,573	-	153,177	214,250	-	405,000	
-	-	(38,319)	-	(156,962)	(218,502)	-	(413,783)	
-	-	-	-	-	20,825	-	131,496	
-	-	-	(1,164)	-	-	-	(1,236,676)	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,254</u>	<u>\$ (1,164)</u>	<u>\$ 176,215</u>	<u>\$ 238,773</u>	<u>\$ -</u>	<u>\$ (671,763)</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, 2010

Schedule 1  
(Continued)

	Special Revenue				
	Local Option Tax	Tax Increment Financing	LMI Grant Fund	Tax Increment Financing Reserve	Housing Project
NET CHANGE IN CASH BALANCE	\$ 63,211	\$ (119,023)	\$ 33,290	\$ (240,000)	\$ 5,464
CASH BALANCES, BEGINNING OF YEAR	91,759	215,522	120,061	240,000	13,809
CASH BALANCES, END OF YEAR	<u>\$ 154,970</u>	<u>\$ 96,499</u>	<u>\$ 153,351</u>	<u>\$ -</u>	<u>\$ 19,273</u>
CASH BASIS FUND BALANCES:					
Reserved:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:					
General fund	-	-	-	-	-
Special revenue funds	154,970	96,499	153,351	-	19,273
Capital projects fund	-	-	-	-	-
Permanent fund	-	-	-	-	-
TOTAL CASH BASIS FUND BALANCES	<u>\$ 154,970</u>	<u>\$ 96,499</u>	<u>\$ 153,351</u>	<u>\$ -</u>	<u>\$ 19,273</u>

See accompanying independent auditor's report.

Special Revenue		Capital Projects					
Park and Recreation Improvement Project	Police Special Projects	Sidewalk Project	Aquatic Center Project	Downtown Improvement Project	Sewer Improvement Project	Park Improvement Project	Total
\$ 3,887	\$ -	\$ 36,595	\$ (1,164)	\$ 69,967	\$ 16,500	\$ 2,085	\$ (129,188)
5,726	2,147	(37,006)	1,164	(68,964)	(2,912)	7,703	589,009
<u>\$ 9,613</u>	<u>\$ 2,147</u>	<u>\$ (411)</u>	<u>\$ -</u>	<u>\$ 1,003</u>	<u>\$ 13,588</u>	<u>\$ 9,788</u>	<u>\$ 459,821</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
9,613	2,147	-	-	-	-	-	435,853
-	-	(411)	-	1,003	13,588	9,788	23,968
-	-	-	-	-	-	-	-
<u>\$ 9,613</u>	<u>\$ 2,147</u>	<u>\$ (411)</u>	<u>\$ -</u>	<u>\$ 1,003</u>	<u>\$ 13,588</u>	<u>\$ 9,788</u>	<u>\$ 459,821</u>

CITY OF WINTERSET, IOWA  
SCHEDULE OF INDEBTEDNESS  
Year Ended June 30, 2010

Schedule 2

<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
Street improvements	June 15, 2008	4.00-4.35%	900,000
Annual appropriations park improvement	June 15, 2008	3.75%	320,000
Street improvements	October 15, 2008	3.00-4.70%	1,420,000
Corporate purpose and refunding	April 8, 2010	.50-3.60%	4,885,000
Total			
General obligation notes:			
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
General corporate purpose	September 9, 2009	1.15%	1,500,000
Total			
Special assessment capital loan notes:			
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	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.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 165,000	\$ -	\$ 30,000	\$ 135,000	\$ 10,870	\$ -
2,380,000	-	110,000	2,270,000	98,988	-
1,275,000	-	180,000	1,095,000	46,600	-
825,000	-	25,000	800,000	35,123	-
1,665,000	-	150,000	1,515,000	72,388	-
900,000	-	15,000	885,000	37,010	-
320,000	-	-	320,000	12,000	-
1,420,000	-	25,000	1,395,000	62,548	-
-	4,885,000	340,000	4,545,000	13,933	-
<u>\$ 8,950,000</u>	<u>\$ 4,885,000</u>	<u>\$ 875,000</u>	<u>\$ 12,960,000</u>	<u>\$ 389,460</u>	<u>\$ -</u>
\$ 70,000	\$ -	\$ 70,000	\$ -	\$ 3,678	\$ -
305,000	-	305,000	-	13,029	-
430,000	-	430,000	-	13,922	-
-	1,500,000	1,500,000	-	13,704	-
<u>\$ 805,000</u>	<u>\$ 1,500,000</u>	<u>\$ 2,305,000</u>	<u>\$ -</u>	<u>\$ 44,333</u>	<u>\$ -</u>
\$ 40,000	\$ -	\$ 5,000	\$ 35,000	\$ 2,560	\$ -
135,000	-	15,000	120,000	7,575	-
80,000	-	20,000	60,000	3,120	-
<u>\$ 255,000</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ 215,000</u>	<u>\$ 13,255</u>	<u>\$ -</u>
\$ 250,000	\$ -	\$ 40,000	\$ 210,000	\$ 10,125	\$ -
405,000	-	50,000	355,000	17,930	-
<u>\$ 655,000</u>	<u>\$ -</u>	<u>\$ 90,000</u>	<u>\$ 565,000</u>	<u>\$ 28,055</u>	<u>\$ -</u>
\$ 100,000	\$ -	\$ 30,000	\$ 70,000	\$ 8,250	\$ -
55,000	-	25,000	30,000	3,575	-
55,000	-	25,000	30,000	4,400	-
70,000	-	20,000	50,000	5,250	-
2,100,000	-	285,000	1,815,000	121,360	-
<u>\$ 2,380,000</u>	<u>\$ -</u>	<u>\$ 385,000</u>	<u>\$ 1,995,000</u>	<u>\$ 142,835</u>	<u>\$ -</u>

CITY OF WINTERSET, IOWA  
 SCHEDULE OF INDEBTEDNESS  
 Year Ended June 30, 2010

Schedule 2  
 (continued)

<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	3.00%	\$ 225,951
Sewer refund bonds, Series 2000B	January 17, 2000	3.00%	874,049
Sewer bonds, Series 2009	July 15, 2009	0.00%	170,000
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

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>
\$ 1,300,000	\$ -	\$ 310,000	\$ 990,000	\$ 47,695	\$ -
350,000	-	-	350,000	16,313	-
<u>\$ 1,650,000</u>	<u>\$ -</u>	<u>\$ 310,000</u>	<u>\$ 1,340,000</u>	<u>\$ 64,008</u>	<u>\$ -</u>
\$ 146,000	\$ -	\$ 11,000	\$ 135,000	\$ 5,723	\$ -
562,000	-	42,000	520,000	22,030	-
-	121,056	-	121,056	-	-
<u>\$ 708,000</u>	<u>\$ 121,056</u>	<u>\$ 53,000</u>	<u>\$ 776,056</u>	<u>\$ 27,753</u>	<u>\$ -</u>
\$ 137,824	\$ -	\$ 25,319	\$ 112,505	\$ 5,858	\$ -
89,251	-	22,044	67,207	4,159	-
400,000	-	50,000	350,000	-	-
<u>\$ 627,075</u>	<u>\$ -</u>	<u>\$ 97,363</u>	<u>\$ 529,712</u>	<u>\$ 10,017</u>	<u>\$ -</u>

CITY OF WINTERSET, IOWA  
 BOND AND OTHER DEBT MATURITIES  
 JUNE 30, 2010

Schedule 3

General Obligation Bonds

Year Ending June 30,	Airport Improvement Issued December 1, 1998		Local Option Sales Tax Issued December 15, 2004		Corporate Purpose and Refunding Issued June 1, 2005		General Corporate Purpose Issued June 15, 2006	
	Interest		Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount
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>\$ 135,000</u>		<u>\$ 2,270,000</u>		<u>\$ 1,095,000</u>		<u>\$ 800,000</u>

General Obligation Bonds

Year Ending June 30,	Corporate Purpose and Refunding Issued April 8, 2010		Total
	Interest Rates	Amount	
2011	0.90	\$ 610,000	\$ 1,165,000
2012	1.10	530,000	1,165,000
2013	1.45	545,000	1,270,000
2014	1.70	545,000	1,295,000
2015	2.10	485,000	1,670,000
2016	2.50	590,000	1,565,000
2017	3.00	510,000	1,430,000
2018	3.10	280,000	1,245,000
2019	3.30	145,000	775,000
2020	3.45	150,000	310,000
2021	3.60	155,000	320,000
2022	-	-	175,000
2023	-	-	185,000
2024	-	-	190,000
2025	-	-	200,000
		<u>\$ 4,545,000</u>	<u>\$ 12,960,000</u>

See accompanying independent auditor's report.



CITY OF WINTERSET, IOWA  
 BOND AND OTHER DEBT MATURITIES  
 JUNE 30, 2010

State Revolving Loans						
Year Ending June 30,	Sewer Revenue Bonds Series 2000A Issued January 17, 2000		Sewer Revenue Bonds Series 2000B Issued January 17, 2000		Sewer Revenue Bonds Series 2009 Issued July 15, 2009	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2011	3.92	\$ 11,000	3.92	\$ 43,000		\$ -
2012	3.92	12,000	3.92	45,000		-
2013	3.92	12,000	3.92	47,000	0.00	121,056
2014	3.92	13,000	3.92	49,000		-
2015	3.92	13,000	3.92	51,000		-
2016	3.92	14,000	3.92	53,000		-
2017	3.92	14,000	3.92	55,000		-
2018	3.92	15,000	3.92	57,000		-
2019	3.92	15,000	3.92	59,000		-
2020	3.92	16,000	3.92	61,000		-
Total		<u>\$ 135,000</u>		<u>\$ 520,000</u>		<u>\$ 121,056</u>

Revenue Notes					
Year Ending June 30,	Sewer Refunding Issued May 1, 2003		Sewer Improvements Issued June 15, 2007		Total
	Interest Rates	Amount	Interest Rates	Amount	
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>\$ 990,000</u>		<u>\$ 350,000</u>	<u>\$ 1,340,000</u>

See accompanying independent auditor's report.

Schedule 3  
(Continued)

<u>Total</u>	
\$	54,000
	57,000
	180,056
	62,000
	64,000
	67,000
	69,000
	72,000
	74,000
	<u>77,000</u>
\$	<u><u>776,056</u></u>

CITY OF WINTERSET, IOWA  
 BOND AND OTHER DEBT MATURITIES  
 JUNE 30, 2010

Schedule 3  
 (continued)

Urban Renewal (TIF) Revenue Bonds

Year Ending June 30,	Issued October 31, 1997		Issued December 28, 1999		Issued December 28, 1999		Issued October 2, 2000	
	Interest		Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount
2011	8.25	\$ 35,000	6.50	\$ 30,000	8.00	\$ 30,000	7.50	\$ 25,000
2012	8.25	35,000		-		-	7.50	25,000
2013		-		-		-		-
2014		-		-		-		-
2015		-		-		-		-
Total		<u>\$ 70,000</u>		<u>\$ 30,000</u>		<u>\$ 30,000</u>		<u>\$ 50,000</u>

Special Assessment Capital Loan Notes

Year Ending June 30,	Street Improvement		Paving Project		Street Improvements		Total
	Issued April 1, 2000		Issued May 1, 2001		Issued May 1, 2003		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2011	6.20	\$ 5,000	5.40	\$ 20,000	3.80	\$ 20,000	\$ 45,000
2012	6.30	5,000	5.50	20,000	4.00	20,000	45,000
2013	6.40	5,000	5.60	20,000	4.20	20,000	45,000
2014	6.50	10,000	5.70	20,000		-	30,000
2015	6.60	10,000	5.80	20,000		-	30,000
2016		-	5.90	20,000		-	20,000
		<u>\$ 35,000</u>		<u>\$ 120,000</u>		<u>\$ 60,000</u>	<u>\$ 215,000</u>

See accompanying independent auditor's report.

Urban Renewal (TIF) Revenue Bonds

Issued October 2, 2000

Interest

<u>Rates</u>	<u>Amount</u>	<u>Total</u>
5.70	\$ 300,000	\$ 420,000
5.75	350,000	410,000
5.80	365,000	365,000
5.85	390,000	390,000
5.90	<u>410,000</u>	<u>410,000</u>
	<u>\$ 1,815,000</u>	<u>\$ 1,995,000</u>

CITY OF WINTERSET, IOWA  
 BOND AND OTHER DEBT MATURITIES  
 JUNE 30, 2010

Schedule 3  
 (continued)

Year Ending June 30,	Special Assessment Bonds					Total
	Street Improvements		Street Improvements			
	Issued June 1, 2005		Issued June 15, 2007			
Interest Rates	Amount	Interest Rates	Amount			
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>\$ 210,000</u>		<u>\$ 355,000</u>	<u>\$ 565,000</u>	

Year Ending June 30,	Other Debt							Total
	Equipment Lease		Equipment Lease		Equipment Lease			
	Issued June 21, 2005		Issued December 26, 2006		Issued November 20, 2006			
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount			
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>\$ 112,505</u>		<u>\$ 67,207</u>		<u>\$ 350,000</u>	<u>\$ 529,712</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 Six Years

Schedule 4

	<u>2010</u>	<u>2009</u>	<u>2008</u>
RECEIPTS:			
Property tax	\$ 2,135,381	\$ 2,145,121	\$ 1,930,397
Tax incremental financing collections	1,003,062	750,648	863,628
Other city tax	308,647	325,975	354,607
Licenses and permits	21,738	40,075	33,710
Uses of money and property	17,135	16,996	81,758
Intergovernmental	781,742	739,943	747,580
Charges for services	208,278	188,611	183,557
Special assessments	820,527	222,843	254,420
Miscellaneous	<u>168,197</u>	<u>208,042</u>	<u>211,335</u>
TOTAL	<u>\$ 5,464,707</u>	<u>\$ 4,638,254</u>	<u>\$ 4,660,992</u>
DISBURSEMENTS:			
Operating:			
Public safety	\$ 831,732	\$ 826,361	\$ 776,276
Public works	507,351	580,460	561,060
Health and social services	4,500	4,500	4,500
Culture and recreation	1,002,727	1,052,825	963,149
Community and economic development	300,625	254,724	260,223
General government	396,016	396,990	385,613
Debt service	2,859,284	1,648,843	2,260,080
Capital projects	1,298,596	1,653,750	1,263,763
Business type activities	<u>-</u>	<u>-</u>	<u>965</u>
TOTAL	<u>\$ 7,200,831</u>	<u>\$ 6,418,453</u>	<u>\$ 6,475,629</u>

See accompanying independent auditor's report.

<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 1,878,135	\$ 1,856,315	\$ 1,815,026
801,663	769,518	713,047
322,460	311,528	210,607
27,486	28,568	29,831
83,292	123,163	55,493
711,213	730,438	791,715
182,917	162,774	112,847
170,804	251,903	208,722
<u>375,817</u>	<u>292,992</u>	<u>261,777</u>
<u>\$ 4,553,787</u>	<u>\$ 4,527,199</u>	<u>\$ 4,199,065</u>

\$ 907,983	\$ 714,439	\$ 758,943
530,304	507,333	507,548
3,000	3,000	3,000
878,881	827,767	697,301
337,126	294,662	384,100
410,333	353,632	338,534
1,314,041	1,412,611	1,079,456
4,107,189	3,945,896	1,491,659
-	750	372
<u>\$ 8,488,857</u>	<u>\$ 8,060,090</u>	<u>\$ 5,260,913</u>

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 \$6.00 per 100 cubic feet. There is a \$11.85 minimum charge.

Number of Users - The City has approximately 1,890 residential users and approximately 260 commercial and industrial users.

Largest Users - The largest sewer customers for the 2009-2010 year were as follows:

<u>Customer</u>	<u>Cubic Feet Sold</u>
Star Quality Care Center	395,000
Winterset Care Center North	384,200
Winterset High School	281,400
Best Kar Inc. East	190,600
Winterset Care Center South	180,800
Madison County Hospital	139,000
Super 8 Motel	136,300
Lou and Coe Erpelding	123,700
Winterset Elementary School	121,800
North Ward Plaza	113,100
Mahle Tennex	110,700

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, 2010, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated November 12, 2010. 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 an opinion on the effectiveness of the City of Winterset, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Winterset, Iowa's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### 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, 2010, 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, Smolgrasso, Mitchell & Co., P.C.*

November 12, 2010

CITY OF WINTERSET, IOWA  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2010

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

REPORTABLE CONDITIONS

2010-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.

OTHER FINDINGS RELATED TO STATUTORY REPORTING:

2010-1 Certified Budget – The City expenditures for the year ended June 30, 2010 did not exceed amounts budgeted.

2010-2 Questionable Disbursements – During the audit, we noted no expenditures for parties, banquets or other entertainment for employees or Council members that we believe may constitute an unlawful expenditure of public funds as defined in an Attorney General's opinion dated April 25, 1979.

2010-3 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

2010-4 Business Transactions – No business transactions between the City and City officials or employees were disclosed.

2010-5 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.

- 2010-6 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- 2010-7 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.
- 2010-8 Revenue Bonds and Notes - The City has complied with the revenue bond and note resolutions.
- 2010-9 Financial Condition – The Capital Projects, Sidewalk Project had a deficit balance of \$411.

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 project improvement 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 that finance construction projects at the end of the project 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.