

**City of Winfield**

**Independent Auditor's Report  
Financial Statements and Supplementary Information  
Independent Auditor's Report on Internal Control and Compliance  
Schedule of Findings and Questioned Costs**

**June 30, 2010**

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## City of Winfield

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jeff Suter	Mayor	December 2011
David Good	Council Member	December 2011
Bob Perrenoud	Council Member	December 2011
Ryan Rees	Council Member	December 2013
Ryan Kinneberg	Council Member	December 2013
Amy Jennings	Council Member	December 2013
Savannah Finnell	City Clerk	Indefinite



401 South Roosevelt Avenue - Suite 2A, Burlington, IA 52601 / 319 752 6348 / 800 757 6348 / fax: 319 752 8644 / info@cpaapc.com

## Independent Auditor's Report

Honorable Mayor and Members of the City Council  
City of Winfield, 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 Winfield, Iowa (City) 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 accounting principles generally accepted in the United States of America. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2009.

The financial statements referred to above include only the primary government of the City, 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 accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2009 as discussed in the second preceding paragraph, 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 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 December 30, 2010 on our consideration of the City'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 on 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.

The budgetary comparison information on pages 16 and 17 is not a required part of the basic financial statements, but is 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.

The City has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's primary government financial statements. Other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2009, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*CPA Associates PC*

December 30, 2010

## **BASIC FINANCIAL STATEMENTS**

**City of Winfield**  
**Statement of Activities and Net Assets - Cash Basis**  
**As of and for the Year Ended June 30, 2010**

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions / Programs:</b>							
Governmental activities:							
Public safety	\$ 80,969	\$ -	\$ -	\$ -	\$ (80,969)	\$ -	\$ (80,969)
Public works	113,527	50,985	105,707	-	43,165	-	43,165
Culture and recreation	69,110	-	35,502	-	(33,608)	-	(33,608)
General government	50,312	-	-	-	(50,312)	-	(50,312)
Debt service	109,429	-	-	-	(109,429)	-	(109,429)
Capital projects	58,873	-	-	-	(58,873)	-	(58,873)
Total governmental activities	<u>482,220</u>	<u>50,985</u>	<u>141,209</u>	<u>-</u>	<u>(290,026)</u>	<u>-</u>	<u>(290,026)</u>
Business type activities:							
Water	205,590	200,153	-	-	-	(5,437)	(5,437)
Gas	385,500	483,937	-	-	-	98,437	98,437
Sewer	167,744	164,188	-	1,804	-	(1,752)	(1,752)
Total business type activities	<u>758,834</u>	<u>848,278</u>	<u>-</u>	<u>1,804</u>	<u>-</u>	<u>91,248</u>	<u>91,248</u>
Total	<u>\$ 1,241,054</u>	<u>\$ 899,263</u>	<u>\$ 141,209</u>	<u>\$ 1,804</u>	<u>(290,026)</u>	<u>91,248</u>	<u>(198,778)</u>
<b>General Receipts:</b>							
Property tax levied for:							
General purposes					180,380	-	180,380
Tax increment financing					75,773	-	75,773
Local option sales tax					80,650	-	80,650
Unrestricted investment earnings					2,492	10,054	12,546
Loan proceeds					-	34,183	34,183
Transfers					26,436	(26,436)	-
Miscellaneous					40,043	679	40,722
Total general receipts and transfers					<u>405,774</u>	<u>18,480</u>	<u>424,254</u>
Change in cash basis net assets					115,748	109,728	225,476
Cash basis net assets beginning of year					<u>345,520</u>	<u>809,294</u>	<u>1,154,814</u>
Cash basis net assets end of year					<u>\$ 461,268</u>	<u>\$ 919,022</u>	<u>\$ 1,380,290</u>
<b>Cash Basis Net Assets</b>							
Restricted:							
Expendable:							
Road use					\$ 130,030	\$ -	\$ 130,030
Other purposes					27,093	415,390	442,483
Unrestricted					<u>304,145</u>	<u>503,632</u>	<u>807,777</u>
<b>Total cash basis net assets</b>					<u>\$ 461,268</u>	<u>\$ 919,022</u>	<u>\$ 1,380,290</u>

See notes to financial statements.

**City of Winfield**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Governmental Funds**  
**As of and for the Year Ended June 30, 2010**

	General	Special Revenue		Debt Service	Other Nonmajor Governmental	Total
		Road Use	TIF			
Receipts:						
Property tax	\$ 180,380	\$ -	\$ -	\$ -	\$ -	\$ 180,380
Tax increment financing collections	-	-	75,773	-	-	75,773
Other taxes	80,650	-	-	-	-	80,650
Use of money and property	2,492	-	-	-	-	2,492
Licenses and permits	1,055	-	-	-	-	1,055
Intergovernmental	16,431	105,707	-	-	-	122,138
Charges for services	50,985	-	-	-	-	50,985
Miscellaneous	38,989	-	-	-	19,070	58,059
Total receipts	<u>370,982</u>	<u>105,707</u>	<u>75,773</u>	<u>-</u>	<u>19,070</u>	<u>571,532</u>
Disbursements:						
Operating:						
Public safety	80,969	-	-	-	-	80,969
Public works	112,200	1,327	-	-	-	113,527
Culture and recreation	69,110	-	-	-	-	69,110
General government	50,312	-	-	-	-	50,312
Debt service	8,580	-	74,413	26,436	-	109,429
Capital projects	-	58,873	-	-	-	58,873
Total disbursements	<u>321,171</u>	<u>60,200</u>	<u>74,413</u>	<u>26,436</u>	<u>-</u>	<u>482,220</u>
Excess (deficiency) of receipts over disbursements	49,811	45,507	1,360	(26,436)	19,070	89,312
Other financing sources (uses):						
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,436</u>	<u>-</u>	<u>26,436</u>
Net change in cash balances	49,811	45,507	1,360	-	19,070	115,748
Cash balances beginning of year	<u>254,334</u>	<u>84,523</u>	<u>4,311</u>	<u>-</u>	<u>2,352</u>	<u>345,520</u>
Cash balances end of year	<u>\$ 304,145</u>	<u>\$ 130,030</u>	<u>\$ 5,671</u>	<u>\$ -</u>	<u>\$ 21,422</u>	<u>\$ 461,268</u>
<b>Cash Basis Fund Balances</b>						
Unreserved:						
General fund	\$ 304,145	\$ -	\$ -	\$ -	\$ -	\$ 304,145
Special revenue fund	<u>-</u>	<u>130,030</u>	<u>5,671</u>	<u>-</u>	<u>21,422</u>	<u>157,123</u>
<b>Total cash basis fund balances</b>	<u>\$ 304,145</u>	<u>\$ 130,030</u>	<u>\$ 5,671</u>	<u>\$ -</u>	<u>\$ 21,422</u>	<u>\$ 461,268</u>

See notes to financial statements.

**City of Winfield**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Proprietary Funds**  
**As of and for the year ended June 30, 2010**

	Enterprise Funds			
	Water	Gas	Sewer	Total
Operating Receipts:				
Charges for services	\$ 200,153	\$ 483,937	\$ 164,188	\$ 848,278
Total operating receipts	<u>200,153</u>	<u>483,937</u>	<u>164,188</u>	<u>848,278</u>
Operating Disbursements:				
Business type activities	146,889	367,094	101,924	615,907
Total operating disbursements	<u>146,889</u>	<u>367,094</u>	<u>101,924</u>	<u>615,907</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>53,264</u>	<u>116,843</u>	<u>62,264</u>	<u>232,371</u>
Non-operating receipts (disbursements):				
Interest on investments	689	8,438	927	10,054
Miscellaneous	604	50	1,829	2,483
Capital outlay	(9,381)	(18,406)	(45,918)	(73,705)
Debt service	<u>(49,320)</u>	<u>-</u>	<u>(19,902)</u>	<u>(69,222)</u>
Net non-operating receipts (disbursements)	<u>(57,408)</u>	<u>(9,918)</u>	<u>(63,064)</u>	<u>(130,390)</u>
Excess (deficiency) of receipts over disbursements	<u>(4,144)</u>	<u>106,925</u>	<u>(800)</u>	<u>101,981</u>
Other financing sources (uses):				
Loan proceeds	-	-	34,183	34,183
Operating transfers out	<u>-</u>	<u>-</u>	<u>(26,436)</u>	<u>(26,436)</u>
	<u>-</u>	<u>-</u>	<u>7,747</u>	<u>7,747</u>
Net change in cash balances	(4,144)	106,925	6,947	109,728
Cash balances beginning of year	<u>139,333</u>	<u>544,808</u>	<u>125,153</u>	<u>809,294</u>
Cash balances end of year	<u>\$ 135,189</u>	<u>\$ 651,733</u>	<u>\$ 132,100</u>	<u>\$ 919,022</u>
<b>Cash Basis Fund Balances</b>				
Reserved for equipment replacement	\$ -	\$ 62,390	\$ 353,000	\$ 415,390
Unreserved	<u>135,189</u>	<u>589,343</u>	<u>(220,900)</u>	<u>503,632</u>
<b>Total cash basis fund balances</b>	<u>\$ 135,189</u>	<u>\$ 651,733</u>	<u>\$ 132,100</u>	<u>\$ 919,022</u>

See notes to financial statements.

**City of Winfield**  
**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies**

The City of Winfield (City) is a political subdivision of the State of Iowa located in Henry County. It was incorporated in 1882 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, culture, recreation, and general government services. The City also provides water, sewer, garbage and gas utilities for its citizens.

Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) 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 Winfield (the primary government) and exclude a component unit. The component unit discussed below is not included in the City's reporting entity although its operational or financial relationship with the City is significant.

Excluded Component Units

The Winfield Fire Fighters Association, Incorporated (Association) is a component unit of the City of Winfield. The Association, a separate legal entity, exists for the purpose of assisting the Winfield Fire Department for fire prevention, protection and suppression, and emergency response. The financial statements of the Association have not been audited and, accordingly, this component unit has not been presented in the accompanying primary government audited financial statements.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Des Moines County Regional Solid Waste Commission, Winfield Benefited District, Southeast Iowa Regional Planning Commission, and Henry County Joint E911 Service Boards.

**City of Winfield**  
**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (continued)**

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:

*Expendable 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.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

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

Special Revenue:

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

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

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt and the Urban Renewal Tax Increment projects.

**City of Winfield**  
**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (continued)**

The City reports the following major proprietary funds:

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

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

The Gas Fund accounts for the operation and maintenance of the City's gas services.

Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

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, 2010, disbursements exceeded the amounts budgeted in the Debt Service and Capital Projects functions.

**Note 2. Cash and Investments**

The City's deposits 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 and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all Category 1, which means that the investments are insured or registered or the securities are held by the City or its agent in the City's name.

The City's investments at June 30, 2010 were entirely in certificates of deposit.

**City of Winfield**  
**Notes to Financial Statements**

**Note 3. Bonds and Notes Payable**

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

Year Ended June 30,	General Obligation Bond and Other Debt		Sewer Revenue Bonds		Water Revenue Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 71,381	\$ 29,036	\$ 22,814	\$ 27,342	\$ 30,000	\$ 17,970
2012	53,825	27,512	22,675	27,061	31,000	17,070
2013	54,984	25,885	24,228	26,088	32,000	16,140
2014	58,146	24,224	24,817	25,049	32,000	15,180
2015	59,310	22,464	26,442	23,974	33,000	14,220
2016-20	279,700	86,377	147,088	101,702	183,000	55,560
2021-25	322,000	39,164	135,436	59,480	212,000	26,370
2026-29	<u>51,000</u>	<u>3,150</u>	<u>91,420</u>	<u>15,089</u>	<u>46,000</u>	<u>1,380</u>
	<u>\$ 950,346</u>	<u>\$ 257,812</u>	<u>\$ 494,920</u>	<u>\$ 305,785</u>	<u>\$ 599,000</u>	<u>\$ 163,890</u>

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

Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$725,000 in sewer revenue notes issued in 1988 and 2008. The notes are payable solely from sewer customer net receipts and are payable through 2029. The total principal and interest remaining to be paid on the notes is \$800,705. For the current year, principal and interest paid and total customer net receipts were \$45,462 and \$62,264, respectively.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$709,000 in water revenue notes issued June 2005. The notes are payable solely from water customer net receipts and are payable through 2026. The total principal and interest remaining to be paid on the notes is \$762,890. For the current year, principal and interest paid and total customer net receipts were \$47,840 and \$53,264, respectively.

The resolutions providing for the issuance of the sewer and water revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Monthly transfers equal to a sum of one-twelfth of the principal and interest of the sewer revenue bonds maturing on the next maturity date shall be made to the Sinking Fund for the purpose of making bond interest and principal payments when due. The City has not established the sewer sinking fund and has not made monthly transfers as required by the sewer revenue bond resolution.
- (c) Sewer user charges must be established at a level which produces and maintains net revenues at a level not less than 110% of principal and interest requirements falling due in the same year.

**City of Winfield**  
**Notes to Financial Statements**

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**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 the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contributions are established by State statute. The City's contribution to IPERS for the year ended June 30, 2010 was \$13,160, equal to the required contribution.

**Note 5. Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation 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. The City's approximate liability for earned vacation 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	\$ 3,087

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

**Note 6. Related Party Transactions**

Business transactions between the City and City officials totaled \$104 during the year ended June 30, 2010.

**Note 7. Major Supplier**

The Utilities' gas is currently purchased through Clayton Energy. The total amount purchased was \$259,009.

**Note 8. Commitments**

The principal commitments of the City are as follows:

Sanitary Sewer and Rehabilitation Project	\$ 181,451
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**City of Winfield**  
**Notes to Financial Statements**

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**Note 9. Risk Management**

The City of Winfield is a member in the Iowa Communities Assurance Pool (Pool), as allowed by Chapter 670.7 of the Code of Iowa. The Pool is a local government risk-sharing pool whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administration expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if sufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contribution to the Pool for the year ended June 30, 2010 was \$12,976.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability for risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

**City of Winfield**  
**Notes to Financial Statements**

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**Note 9. Risk Management** (continued)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. After the sixth year, the member is refunded 100 percent of its capital contributions; however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workmen's compensation and various types of liability insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 10. Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

**Note 11. Joint Venture**

The City is a participant in the Des Moines County Regional Solid Waste Commission (Commission), a political subdivision pursuant to the Code of Iowa Chapter 28E. The purpose of the agreement is to provide area governments with solid waste disposal sources. The City currently provides one member of the fifteen-member board. Financial statements of the Commission are available at the Commission office, 1818 West Burlington Ave, Burlington, Iowa. The City paid approximately \$10,200 in solid waste disposal and recycling fees in fiscal year 2010.

**Note 12. Economic Development Loan Agreement**

The City entered into a \$20,000 forgivable loan for a business to locate and maintain its business presence in Winfield for ten years. The City will locate the business in Winfield and will create five new full time professional technology jobs during the terms of this agreement, and which jobs shall be in existence and staffed on April 12, 2020. The term of this agreement begins as of April 12, 2010 and ends on April 12, 2020.

**City of Winfield**  
**Notes to Financial Statements**

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**Note 13. Transfers**

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

Transfer to:		
Debt service	\$	26,436
Transfer from:		
Sewer revenue	\$	26,436

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

**Note 14. Other Postemployment Benefits (OPEB)**

The City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions* during the year ended June 30, 2010.

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 3 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$324.62 for single coverage and \$811.52 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$23,225 and plan members eligible for benefits did not contribute to the plan.

**Note 15. Prospective Accounting Change**

The GASB has issued a Statement not yet implemented by the City. Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued February 2009, will be effective for the City for the fiscal year ending June 30, 2011. This Statement establishes accounting and financial reporting standards for all governments that report governmental funds. The fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. In the year that Statement No. 54 is implemented, the beginning fund balance classifications will be retroactively restated for prior periods presented. The City's management has not yet determined the effect this Statement will have on the City's financial statements.

**City of Winfield**  
**Notes to Financial Statements**

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**Note 16. Subsequent Event**

The City performed an evaluation of subsequent events through December 30, 2010, which is the date the financial statements were issued. The City borrowed \$47,255 from the State Revolving Loan Fund for sewer projects subsequent to year end.

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Winfield**  
**Budgetary Comparison Schedule**  
**of Receipts, Disbursements and Changes in Balances -**  
**Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds**  
**Required Supplementary Information**  
**Year Ended June 30, 2010**

	Governmental	Proprietary	Net	Budgeted Amounts		Final to Net Variance
	Funds Actual	Fund Type Actual		Original	Final	
Receipts:						
Property tax	\$ 180,380	\$ -	\$ 180,380	\$ 178,904	\$ 178,904	\$ 1,476
Tax increment financing collections	75,773	-	75,773	73,400	73,400	2,373
Other city taxes	80,650	-	80,650	93,682	93,682	(13,032)
Use of money and property	2,492	10,054	12,546	3,200	3,200	9,346
Licenses and permits	1,055	-	1,055	1,280	1,280	(225)
Intergovernmental	122,138	-	122,138	98,000	98,000	24,138
Charges for service	50,985	848,278	899,263	921,400	921,400	(22,137)
Miscellaneous	58,059	2,483	60,542	28,600	28,600	31,942
Total receipts	<u>571,532</u>	<u>860,815</u>	<u>1,432,347</u>	<u>1,398,466</u>	<u>1,398,466</u>	<u>33,881</u>
Disbursements:						
Public safety	80,969	-	80,969	108,060	108,060	27,091
Public works	113,527	-	113,527	201,500	201,500	87,973
Culture and recreation	69,110	-	69,110	74,550	74,550	5,440
Community and economic development	-	-	-	73,400	73,400	73,400
General government	50,312	-	50,312	58,500	58,500	8,188
Debt service	109,429	69,222	178,651	-	-	(178,651)
Capital projects	58,873	73,705	132,578	15,900	15,900	(116,678)
Business type activities	-	615,907	615,907	918,011	918,011	302,104
Total disbursements	<u>482,220</u>	<u>758,834</u>	<u>1,241,054</u>	<u>1,449,921</u>	<u>1,449,921</u>	<u>208,867</u>
Excess (deficiency) of receipts over disbursements	89,312	101,981	191,293	(51,455)	(51,455)	242,748
Other financing sources	<u>26,436</u>	<u>7,747</u>	<u>34,183</u>	<u>-</u>	<u>-</u>	<u>34,183</u>
Net change in cash balances	115,748	109,728	225,476	(51,455)	(51,455)	276,931
Cash balances beginning of year	<u>345,520</u>	<u>809,294</u>	<u>1,154,814</u>	<u>1,161,217</u>	<u>1,161,217</u>	<u>(6,403)</u>
Cash balances end of year	<u>\$ 461,268</u>	<u>\$ 919,022</u>	<u>\$ 1,380,290</u>	<u>\$ 1,109,762</u>	<u>\$ 1,109,762</u>	<u>\$ 270,528</u>

See accompanying independent auditor's report.

**City of Winfield**  
**Notes to Required Supplementary Information - Budgetary Reporting**

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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 being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units, Internal Service Funds, and Fiduciary Funds (when they exist). The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund 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, the budget was not amended.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the Debt Service and Capital Projects functions.

**OTHER SUPPLEMENTARY INFORMATION**

**City of Winfield**  
**Schedule of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Nonmajor Governmental Funds**  
**As of and for the Year Ended June 30, 2010**

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	<u>Insurance</u>	Library <u>Trust</u>	<u>Total</u>
Receipts:			
Miscellaneous	\$ <u>-</u>	\$ <u>19,070</u>	\$ <u>19,070</u>
Net change in cash balances	-	19,070	19,070
Cash balances beginning of year	<u>2,352</u>	<u>-</u>	<u>2,352</u>
Cash balances end of year	<u>\$ 2,352</u>	<u>\$ 19,070</u>	<u>\$ 21,422</u>

See accompanying independent auditor's report.

**City of Winfield  
Statement of Indebtedness  
Year Ended June 30, 2010**

<u>Obligation</u>	<u>Date of Issuance</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<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>
<b>General Obligation Bonds and Other Debt:</b>									
Fire Equipment	12/23/02	4.63 %	\$ 101,000	\$ 65,228	\$ -	\$ 45,882	\$ 19,346	\$ 2,698	\$ -
Water Improvement	09/21/05	3.00 %	766,000	672,000	-	33,000	639,000	20,160	-
Sewer Improvement	04/14/08	3.00 %	273,000	263,000	-	11,000	252,000	7,890	-
Fire Equipment	06/29/10	2.00 %	40,000	-	<u>40,000</u>	-	<u>40,000</u>	-	-
Total				<u>1,000,228</u>	<u>40,000</u>	<u>89,882</u>	<u>950,346</u>	<u>30,748</u>	<u>-</u>
<b>Revenue Bonds:</b>									
Sewer revenue	10/20/88	6.38 %	375,000	295,090	-	7,676	287,414	18,760	17,622
Water revenue	06/27/05	3.00 %	709,000	628,000	-	29,000	599,000	18,840	-
Sewer revenue	08/13/08	3.00 %	350,000	<u>186,323</u>	<u>34,183</u>	<u>13,000</u>	<u>207,506</u>	<u>6,026</u>	-
Total				<u>1,109,413</u>	<u>34,183</u>	<u>49,676</u>	<u>1,093,920</u>	<u>43,626</u>	<u>17,622</u>
Total of all debt				<u>\$ 2,109,641</u>	<u>\$ 74,183</u>	<u>\$ 139,558</u>	<u>\$ 2,044,266</u>	<u>\$ 74,374</u>	<u>\$ 17,622</u>

See accompanying independent auditor's report.

**City of Winfield  
Bond and Note Maturities  
June 30, 2010**

<b>General Obligation Bonds and Other Debt</b>									
Year Ending June 30,	<u>Fire Equipment</u> Issued <u>December 23, 2002</u>		<u>Water Improvement</u> Issued <u>September 21, 2005</u>		<u>Sewer Improvement</u> Issued <u>April 14, 2008</u>		<u>Fire Equipment</u> Issued <u>June 29, 2010</u>		<u>Total</u>
	<u>Interest</u> <u>Rate</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Amount</u>	
2011	4.63%	\$ 19,346	3.00%	\$ 34,000	3.00%	\$ 11,000	2.00 %	\$ 7,035	\$ 71,381
2012	-	-	3.00%	35,000	3.00%	11,000	2.00 %	7,825	53,825
2013	-	-	3.00%	36,000	3.00%	11,000	2.00 %	7,984	54,984
2014	-	-	3.00%	38,000	3.00%	12,000	2.00 %	8,146	58,146
2015	-	-	3.00%	39,000	3.00%	12,000	2.00 %	8,310	59,310
2016	-	-	3.00%	40,000	3.00%	13,000	2.00 %	700	53,700
2017	-	-	3.00%	41,000	3.00%	13,000	-	-	54,000
2018	-	-	3.00%	42,000	3.00%	13,000	-	-	55,000
2019	-	-	3.00%	44,000	3.00%	14,000	-	-	58,000
2020	-	-	3.00%	45,000	3.00%	14,000	-	-	59,000
2021	-	-	3.00%	46,000	3.00%	15,000	-	-	61,000
2022	-	-	3.00%	48,000	3.00%	15,000	-	-	63,000
2023	-	-	3.00%	49,000	3.00%	15,000	-	-	64,000
2024	-	-	3.00%	50,000	3.00%	16,000	-	-	66,000
2025	-	-	3.00%	52,000	3.00%	16,000	-	-	68,000
2026	-	-	-	-	3.00%	17,000	-	-	17,000
2027	-	-	-	-	3.00%	17,000	-	-	17,000
2028	-	-	-	-	3.00%	17,000	-	-	17,000
		<u>\$ 19,346</u>		<u>\$ 639,000</u>		<u>\$ 252,000</u>		<u>\$ 40,000</u>	<u>\$ 950,346</u>

See accompanying independent auditor's report.

**City of Winfield  
Bond and Note Maturities  
June 30, 2010**

Year Ending June 30,	<u>Sewer Revenue Bond</u> <u>Issued October 20, 1988</u>		<u>Water Revenue Bond</u> <u>Issued June 27, 2005</u>		<u>Sewer Revenue Bond</u> <u>Issued August 13, 2008</u>		<u>Total</u>
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	
2011	6.38 %	\$ 8,814	3.00%	\$ 30,000	3.00 %	\$ 14,000	\$ 52,814
2012	6.38 %	8,675	3.00%	31,000	3.00 %	14,000	53,675
2013	6.38 %	9,228	3.00%	32,000	3.00 %	15,000	56,228
2014	6.38 %	9,817	3.00%	32,000	3.00 %	15,000	56,817
2015	6.38 %	10,442	3.00%	33,000	3.00 %	16,000	59,442
2016	6.38 %	11,108	3.00%	34,000	3.00 %	16,000	61,108
2017	6.38 %	11,816	3.00%	35,000	3.00 %	16,000	62,816
2018	6.38 %	12,570	3.00%	37,000	3.00 %	17,000	66,570
2019	6.38 %	13,371	3.00%	38,000	3.00 %	17,000	68,371
2020	6.38 %	14,223	3.00%	39,000	3.00 %	18,000	71,223
2021	6.38 %	15,130	3.00%	40,000	3.00 %	19,000	74,130
2022	6.38 %	16,095	3.00%	41,000	3.00 %	19,000	76,095
2023	6.38 %	17,121	3.00%	42,000	3.00 %	11,506	70,627
2024	6.38 %	18,212	3.00%	44,000	-	-	62,212
2025	6.38 %	19,373	3.00%	45,000	-	-	64,373
2026	6.38 %	20,608	3.00%	46,000	-	-	66,608
2027	6.38 %	21,922	-	-	-	-	21,922
2028	6.38 %	23,319	-	-	-	-	23,319
2029	6.38 %	<u>25,570</u>	-	<u>-</u>	-	<u>-</u>	<u>25,570</u>
		<u>\$ 287,414</u>		<u>\$ 599,000</u>		<u>\$ 207,506</u>	<u>\$ 1,093,920</u>

See accompanying independent auditor's report.



401 South Roosevelt Avenue - Suite 2A, Burlington, IA 52601 / 319 752 6348 / 800 757 6348 / fax: 319 752 8644 / info@cpaapc.com

**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***

Honorable Mayor and Members of the City Council  
City of Winfield, 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 Winfield, Iowa (City), 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 December 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

We noted certain other matters which we reported to management of the City in a separate letter dated December 30, 2010.

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.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City'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 and other parties to whom the City 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.

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

*CPA Associates PC*

December 30, 2010

**City of Winfield**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2010**

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

**MATERIAL WEAKNESSES**

I-A-10 Preparation of Financial Statements - The City does not have an internal control system designed to provide for the preparation of the financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for a governmental entity similar in population to the City of Winfield. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Recommendation - We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, the City's management and those charged with governance should decide whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - The City will continue to review and monitor procedures currently in place and evaluate the risks to be accepted in the preparation of the financial statements.

Conclusion - Response accepted.

I-B-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent one individual employee from handling a transaction from its inception to its completion. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City Council and management should continue to provide oversight and direction based upon their direct knowledge of the City's operations and day-to-day contact with employees to control and safeguard assets.

Response - The City will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**City of Winfield**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2010**

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

II-A-10 Certified Budget - Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in Debt Service and Capital Projects functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

II-B-10 Questionable Disbursements - A certain disbursement we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. The disbursement is detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Hy-Vee	Flowers for funeral	\$ 55.65

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation - The Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

II-C-10 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-10 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 Winfield**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2010**

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**Part II: Other Findings Related to Required Statutory Reporting (continued)**

II-E-10 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of the Council proceedings were published, they were not always published within 15 days.

Recommendation - The City should comply with the Code of Iowa and publish minutes in a timely manner.

Response - Although we attempt to furnish the local paper the minutes in a timely manner, a weekly paper cannot always meet the requirements as stated above.

Conclusion - Response accepted.

II-F-10 Bonds and Revenue Notes - The sewer revenue bond sinking fund was not established and monthly transfers were not made to the sewer revenue bond sinking fund as required by the sewer revenue bond resolution.

Recommendation - Monthly transfers should be made to the sewer revenue bond sinking fund as required by the sewer revenue bond resolution.

Response - The City will start the transfer of money to the sewer revenue bond sinking fund.

Conclusion - Response accepted.

II-G-10 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.

II-H-10 Business Transactions - Business transactions between the City and City officials are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction</u>	<u>Amount</u>
Walter Construction, Owner husband of Jan Walters, Employee	Repair	\$ 104

In accordance with Chapter 362.5(11) of the Code of Iowa, the transaction does not appear to represent conflict of interest since the total transaction was less than \$2,500 during the fiscal year.

**City of Winfield**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2010**

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**Part II: Other Findings Related to Required Statutory Reporting (continued)**

- II-I-10     Publication of Actual Gross Salaries - Chapter 372.13 of the Code of Iowa and an Attorney General's opinion dated April 12, 1978 require actual gross salaries be published for all employees. Although a portion of the employees' salaries was published, it was not the employees' actual gross salaries as required.
- Recommendation - Actual gross salaries should be published as required by Chapter 372.13 of the Code of Iowa and an Attorney General's opinion dated April 12, 1978.
- Response - We will do this going forward.
- Conclusion - Response accepted.
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- II-J-10     Cancelled Checks- The City does not receive both front and back electronically retained check images as required per Chapter 554D.114(5) of the Code of Iowa.
- Recommendation - The City should receive both front and back electronically retained check images as required per Chapter 554D.114(5) of the Code of Iowa.
- Response - We will do this.
- Conclusion - Response accepted.
- 
- II-K-10     Separately Maintained Records - The City maintains separate checking accounts for special drug and special sewer accounts. These accounts are separate from the City's accounts, allowing transactions to go unrecorded. Accordingly, certain donations and expenditures from these accounts are not being appropriately included on the City's financial statements. The expenditures may not meet the requirements of public purpose and may not be appropriately included within the budget as required by the Code of Iowa.
- Recommendation - Chapter 384.20 of the Code of Iowa states, in part, "A City shall keep accounts which show an accurate and detailed statement of all public funds collected, received or expended for any city purpose". For better accountability and financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the Council on a monthly basis.
- Response - We will record these amounts in the future.
- Conclusion - Response accepted.



401 South Roosevelt Avenue - Suite 2A, Burlington, IA 52601 / 319 752 6348 / 800 757 6348 / fax: 319 752 8644 / info@cpaapc.com

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December 30, 2010

Honorable Mayor and Members of the City Council  
City of Winfield, Iowa

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Winfield, Iowa (City) for the year ended June 30, 2010, and have issued our report thereon dated December 30, 2010. Professional standards require that we provide you with information about responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 3, 2010. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. As described in Note 14, the City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions* (OPEB) during the year ended June 30, 2010. Accordingly, the City included additional disclosures relating to the City's OPEB Plans. We noted no transactions entered into by the City during the year for which there was a lack of authoritative guidance or consensus. We noted no significant transactions that have not been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

##### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

##### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The financial statements do not include financial data for the separately maintained records of the Special Drug cash balance of \$604 and the Special Sewer cash balance of \$4,826.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 30, 2010.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Delinquent Water Bills

Through review of the past due/delinquent register at June 30, 2010, we noted delinquent payments not only from the general public but from City employees. Consideration should be given to establishing policies that encourage employees and council members to provide positive examples of financial responsibility. We recommend the Council be provided with a list of delinquent accounts for review.

Payroll Accounts

During the course of the audit, we discovered all payroll expenses were recorded in one account. We recommend creating separate accounts for the following payroll expenses: salaries, payroll taxes, insurance, and IPERS.

Utility Taxes

During our utility testing, we discovered the City was charging 2% for the local option tax on gas services. On July 2008, the local option tax changed to 1%. We recommend the City change the tax to 1%.

Utility Penalty

During our utility testing, we discovered the City was charging a late penalty of 1.5% on all utilities (garbage, sewer, water, and gas). The water and sewer ordinances state a 1.5% late penalty will be charged and the garbage and gas ordinances do not specify that a penalty will be charged. We recommend the City update the garbage and gas ordinances to state whether a late penalty should be charged.

Old Outstanding Checks

We noted during the course of the audit several old outstanding checks still being carried as part of the bank reconciliation items. The City should review these checks and ensure they are abiding by the escheatment laws and appropriately remit funds to the appropriate state. The State of Iowa requires property unclaimed in excess of three years be remitted to the resident state of the depositor.

Non-attest Services

We provide the City with non-attest services pertaining to drafting the City's financial statements and related notes. In connection with these services, management has made all management-level decisions and performed all management functions, designated a management-level individual with suitable skill, knowledge or experience to oversee the services, evaluated the adequacy and results of the services performed, accepted responsibility for the results of the services, and established and maintained controls, including monitoring ongoing activities.

This information is intended solely for the use of the Mayor, City Council, and management of the City of Winfield and is not intended to be and should not be used by anyone other than these specified parties.

*CPA Associates PC*