

CITY OF DEWITT, IOWA

FINANCIAL STATEMENTS

June 30, 2011

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CITY OF DEWITT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Donald J. Thiltgen	Mayor	January 1, 2012
Verlyn Scheckel	Mayor Pro Tem	January 1, 2012
Carole Dunkin	Council Member	January 1, 2012
Kurt Ketelsen	Council Member	January 1, 2012
Verlyn Scheckel	Council Member	January 1, 2012
Steven Hasenmiller	Council Member	January 1, 2014
Dawn Marcus	Council Member	January 1, 2014
Steven M. Lindner	City Administrator	Appointed
Deanna Rodriguez	Director of Finance/Treasurer	Appointed
Robert J. McGee	City Attorney	Appointed
Matt Proctor	Director of Public Works	Appointed
David Porter	Chief of Police	Appointed
Cathie Benthin	City Clerk/Safety Coordinator	Appointed
Kevin Lake	Director of Parks & Recreation	Appointed
Giles Looney	Building Official	Appointed
Kevin Rice	City Forester	Appointed



**Winkel, Parker
& Foster, CPA PC**

Certified Public Accountants & Consultants

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

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 DeWitt, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City of DeWitt, Iowa's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of DeWitt, Iowa's management. Our responsibility is to express opinions on these basic 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 that 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. The City of DeWitt, Iowa adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions during the year ended June 30, 2011. The statement changed the classifications of governmental fund balances and clarified the definitions of existing fund types. The effects of the adoption of this statement on the total amount of the City's governmental fund balances as of and for the year ended June 30, 2011 is described in Note 12.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of DeWitt, Iowa as of June 30, 2011, 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 20, 2011 on our consideration of the City of DeWitt, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 of the internal control over financial reporting or 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 management's discussion and analysis and budgetary comparison information on pages 4 through 16 and 43 through 45 have been presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of DeWitt, Iowa's basic financial statements as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2010 (which is not presented herein) and expressed an unqualified opinion on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The financial statements of the City of DeWitt, Iowa for the six years ended June 30, 2009 (which are not presented herein) were audited by other auditors and expressed unqualified opinions on those statements which were prepared in conformity with an other comprehensive basis of accounting. The Combining Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds, Combining Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Proprietary Funds, Schedule of Indebtedness, Bond and Note Maturities and Schedule of Revenues by Source and Disbursements by Function - All Governmental Funds, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The other supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Clinton, Iowa
December 20, 2011

CITY OF DEWITT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

This discussion and analysis is intended to be an easily readable analysis of the City of DeWitt's financial activities for the fiscal year ended June 30, 2011 based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the City's financial statements that begin on page 17.

Basis of Accounting

The City has elected to present its financial statements on a cash basis of accounting. The cash basis of accounting is a basis other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the City's cash basis of accounting, revenues and expenses are recorded when they result from cash transactions. As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. 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 the cash basis of accounting.

Report Layout

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB 34 implements a model of financial reporting for state and local governments designed to enhance the usefulness of the City's annual report. Besides the Management's Discussion and Analysis (MD&A), the report consists of a Statement of Activities and Net Assets, fund financial statements, notes to the financial statements, required supplemental information and other supplemental information. The first statement is highly condensed and presents a government-wide view of the City's finances. Within this view, all City operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, and capital projects. Business-type activities are water, sewer, garbage and recycling collection, and storm water utility.

City as a Whole

Statement of Activities and Net Assets

The focus of the Statement of Activities and Net Assets is to present the major program costs and match major resources with each. To the extent a program's cost is not recovered by grants, donations and direct charges, it is paid from general taxes and other resources. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

CITY OF DEWITT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

To aid in the understanding of the Statement of Activities and Net Assets, some additional explanation is given. First all receipts and disbursements are categorized as either governmental activities or business-type activities.

Second, of particular interest is the format that is significantly different than a typical Statement of Receipts, Disbursements, and Changes in Cash Balances. You will notice that disbursements are listed in the first column with receipts from that particular program reported to the right. The result is a Net (Disbursement)/Receipt. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general receipts or if it is self-financing through fees and grants or contributions. All other governmental receipts are reported as general. It is important to note that all taxes and bond proceeds are classified as general receipts even if restricted for a specific purpose.

Fund Financial Statements

Following the Statement of Activities and Net Assets is a section containing fund financial statements. In the Statements of Cash Receipts, Disbursements and Changes in Cash Balances the City's major funds are presented in their own column and the remaining funds are combined into a column titled "Nonmajor Funds." Readers who wish to obtain information on nonmajor funds can find it in the Combining Schedules of Cash Receipts, Disbursements and Changes in Cash Balances. The City has two kinds of funds as follows:

Governmental Funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The City's major governmental funds are the General Fund, DeWitt Economic Development TIF Special Revenue Fund, Debt Service Fund, and the DeWitt Economic Development TIF Debt Service Fund. All other governmental funds are aggregated in a single column entitled "Nonmajor Governmental Funds". Governmental funds are further broken down into the following activities:

Public Safety - This category includes police operations including reserves, civil service commission, emergency management, fire protection, ambulance service, building inspections, and animal control services.

Public Works - This category includes roads, bridges, and sidewalks, equipment replacement, street lighting, traffic safety, snow removal, and compost facility.

Health and Social Services - This category includes welfare assistance and referral building maintenance.

Culture and Recreation - This category includes library services, parks, recreation, aquatic center operations, cemetery, community center, and fitness center operations.

CITY OF DEWITT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

Community and Economic Development - This category includes community betterment, trees forever, economic development, housing, TIF, planning and zoning, and community activities.

General Government - This category includes mayor/administrator, city council, director of finance/city clerk, elections, legal services, city hall, insurance, and safety program.

Debt Service - This category includes general, TIF, and road use debt service.

Capital Projects - This category includes the 2008 Homeownership Grant, the 2008 Owner-occupied Grant, the Westbrook Baseball Diamond Improvements, the 11th Street Widening project, the 11th Street West project, the East Side Storm Water project, the Star project, the Silver Creek Trail project, the 6th Ave. reconstruction project, the Springbrook Road 17th/Street Capital Project Fund, the Inflow/Infiltration project and other Stimulus projects.

Business-type (Proprietary) Funds - Proprietary funds account for the City's Enterprise Funds and the Internal Service Fund. Enterprise Funds are used to report business type activities. When the City charges customers for the services it provides, these services are generally reported in business-type or proprietary funds. These are self-sufficient funds. The City's major business-type funds are the Water Utility Fund and the Sewer Utility Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

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

The MD&A is intended to explain the significant changes in financial position and differences in operations between the current and prior years.

Governmental Activities

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$7,963,596 to \$6,596,884. The analysis that follows focuses on the changes in cash balances for governmental activities.

**CITY OF DEWITT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

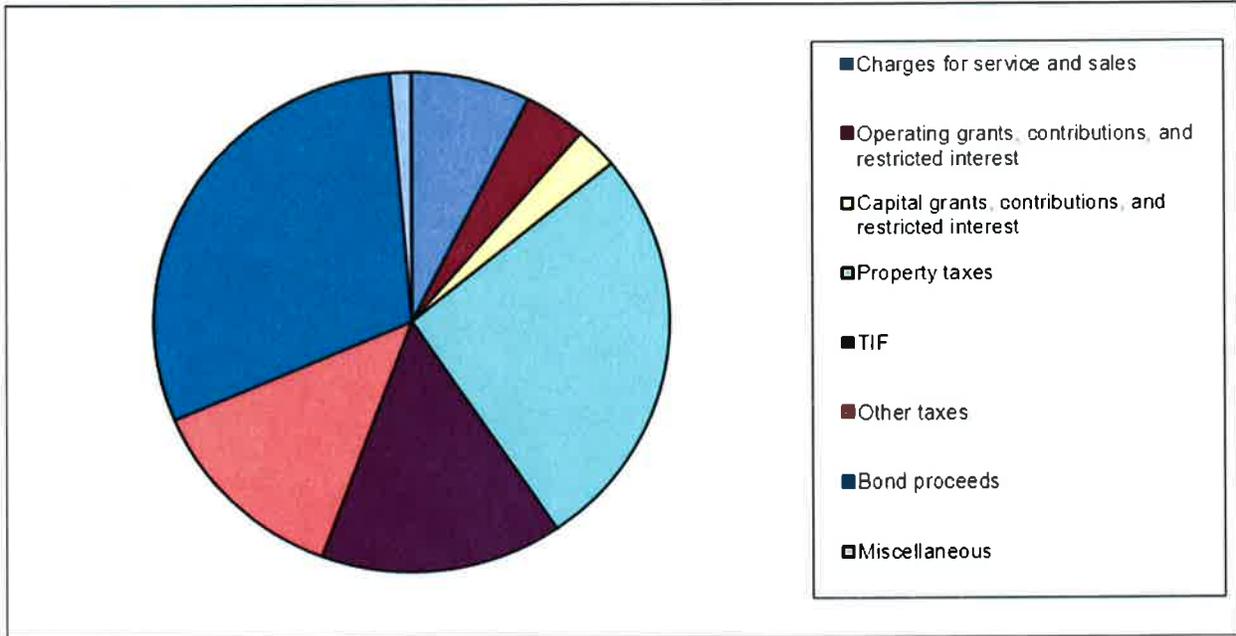
Changes in Cash Basis Net Assets of Governmental Activities

	<u>2011</u>	<u>2010</u>
Receipts:		
Program receipts:		
Charges for service	\$ 643,362	\$ 613,955
Operating grants, contributions, and restricted interest	335,486	349,411
Capital grants, contributions, and restricted interest	229,601	887,118
General receipts:		
Property tax	3,553,863	3,465,426
Utility excise tax	58,404	64,315
Hotel/motel tax	17,433	14,954
Local option sales tax	561,697	530,772
Road use tax	466,757	446,302
Unrestricted interest on investments	14,373	11,998
Bond proceeds	2,570,000	3,810,734
Miscellaneous	38,104	31,030
Sale of capital assets	60,000	260
Total receipts	<u>8,549,080</u>	<u>10,226,275</u>
Disbursements:		
Public safety	1,032,238	1,069,503
Public works	509,679	585,318
Health and social services	8,629	16,337
Culture and recreation	1,069,948	1,091,575
Community and economic development	140,384	125,220
General government	358,670	350,246
Debt service	4,377,277	2,739,057
Capital projects	<u>2,418,967</u>	<u>3,095,434</u>
Total disbursements	<u>9,915,792</u>	<u>9,072,690</u>
Increase (decrease) in cash basis net assets	(1,366,712)	1,153,585
Cash basis net assets, beginning of year	<u>7,963,596</u>	<u>6,810,011</u>
Cash basis net assets, end of year	<u>\$6,596,884</u>	<u>\$7,963,596</u>

**CITY OF DEWITT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

For the year ended June 30, 2011, the City's governmental activities were funded as follows:

Sources of Funds for Governmental Activities

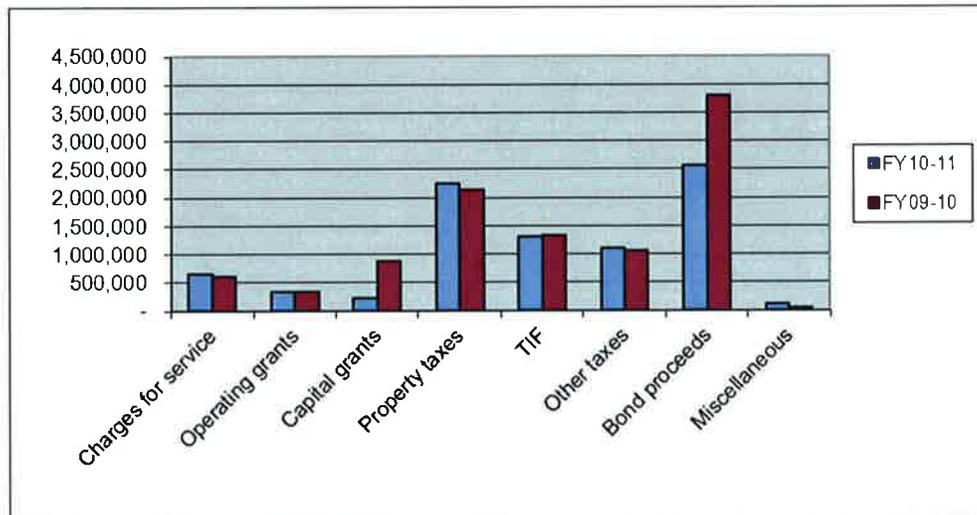


Governmental program receipts changed as compared to the prior year in several areas. Receipts overall decreased by approximately \$1.7 million due to multiple factors the largest of which include changes in capital grant and bond proceeds revenues. Major differences by receipt source are outlined below. Charges for service receipts increased by 4.8% over last year. Sewer rates increased 3.5% in June 2010 but water rates were not increased until May 2011. Storm water utility rates remained the same. The garbage/recycling rate was increased by \$.75 per month per household. Operating grants, contributions, and restricted interest receipts decreased very slightly by not quite 4%. The two largest differences in the public safety area are the JAG grant received last year, but was not funded this year and the City received additional STEP grant revenue thru stimulus funding. The difference in public works is in large part due to insurance reimbursement for wind storms damage. The decrease in health and social services revenues is an insulation rebate received for the referral center building last year. The difference in culture and recreation is due mostly to the receipt of a donation for over \$22,000 to the fitness center to cover part of the cost for a new piece of equipment last year. There was also a decrease in library county revenues of nearly \$2,000. There was a significant decrease in community and economic development. This is due to receipt of a housing grant reimbursement last year of \$12,500. The difference in the general government section is the EMC insurance rebate received this year as compared to last year and is nearly \$2,800.

CITY OF DEWITT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

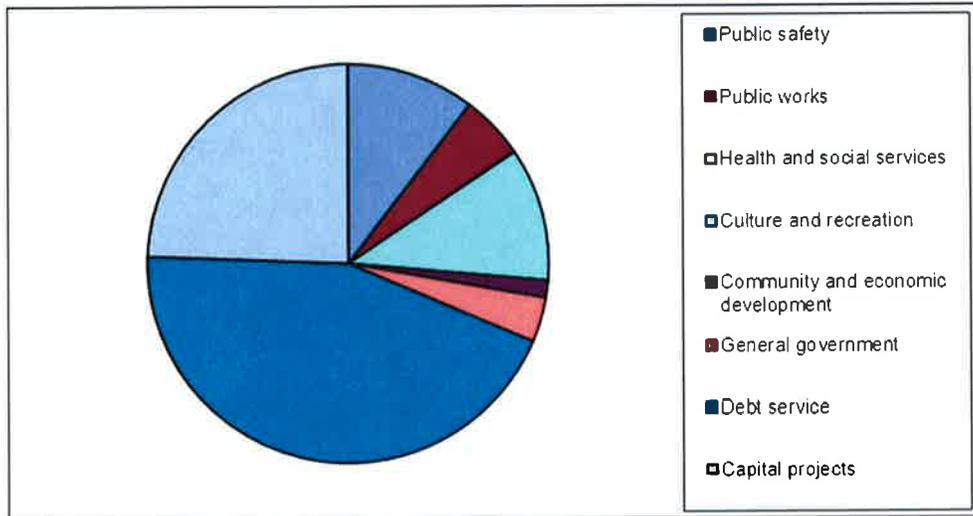
Debt service interest revenue decreased very slightly by only \$500 as interest rates continue to fall. However, interest in the capital projects area is about comparable than last year in the various capital project funds as several projects are behind anticipated schedules. The major change is an over \$41,000 increase in donations recorded for the 6th Avenue project. Capital grants, contributions, and restricted interest decreased by over \$650,000 as compared to the previous year. These change annually depending on what projects are in process and where they are in the process. This is largely attributable to the 6th Avenue Reconstruction project for which grant funds received this year totaled \$3,039 as compared to \$321,384 last fiscal year. The reimbursements on the 2008 housing grants received last year totaled \$337,483 as compared to \$88,943 for the same grants this year. Property tax receipts were up about 5.1% due to valuation growth and new development. TIF receipts were down slightly by about 1.6% simply due to collections. Other tax receipts increased by over \$47,000 which is more similar to FY09. Local option sales tax receipts increased by \$31,000 while road use tax receipts increased by \$20,000. Local option sales tax receipts are highly dependent on the economy. Bond proceeds decreased from \$3,810,734 to \$2,570,000. The current year bond issue was for refunding the 2006 general obligation bonds. Last fiscal year included upcoming/current capital projects and included amounts to refund the 2005 general obligation bonds. Miscellaneous receipts increased by about \$7,000 due to receipt of more reimbursements/refunds. This fiscal year also included \$60,000 in sale of property to the library board.

Total governmental receipts this year as compared to last fiscal year are shown in the following graph.



**CITY OF DEWITT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

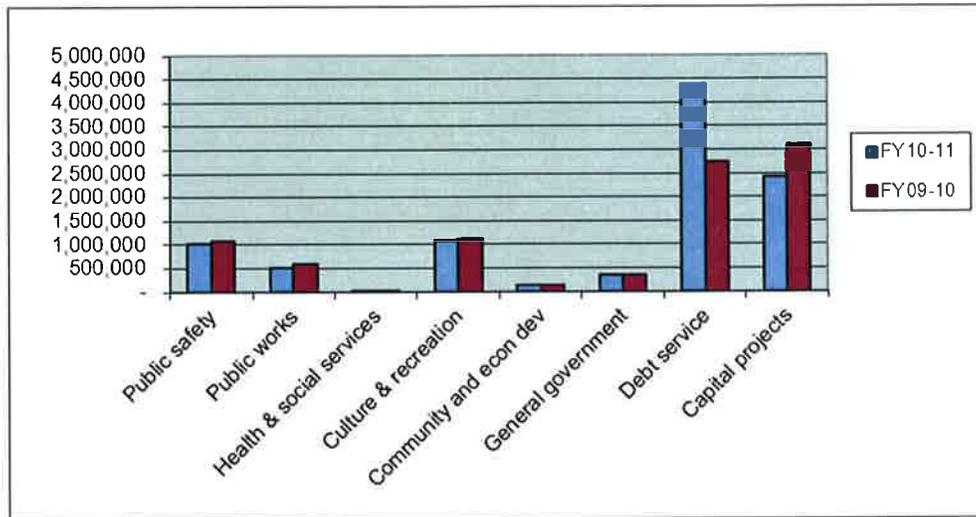
Uses of Funds in Governmental Activities



Governmental program disbursements are about 9.3% more in total as compared to the prior year however, some categories have changed more significantly than others. Public safety disbursements decreased only about 3.5%. Public works disbursements decreased by 12.9%. This is mostly due to less street maintenance done this year as compared to last year. Disbursements for health and social services decreased by over 47% (only \$7,708) due to repairs done at the Referral Center. Last fiscal year wall insulation and a furnace replacement were completed but this year very little maintenance was required. Culture and recreation disbursements decreased only 2%. Community and economic development disbursements increased by over 12% or \$15,164. This was due to the first year of both a DDC rebate agreement and a QCA Spas rebate agreement. The City also paid for gas facilities extension in the industrial park. The general government disbursements increased by only 2.4%. Debt service disbursements increased by about 60% due to the refunding of the 2006 general obligation bond issue this fiscal year. Capital project disbursements decreased by about 21.8% over the previous year. This was mainly due to the 6th Avenue Reconstruction project and stimulus project but was also affected by the 17th St/18th Ave project, 290th Avenue, both of the 2008 housing grants and all the other capital projects. The 6th Avenue phase II project was nearly complete by the end of the previous fiscal year with the exception of the lights and decreasing the bump out. Most of the rest of the projects were in process during the current year. The FY08 projects did not get started as quickly as expected so many of these disbursements fell in FY09 and many continued in FY10 and FY11. Some of these projects and the FY09 projects are behind anticipated schedules. For example the Westbrook baseball diamond reconfiguration from FY08 is scheduled for fall 2011 completion rather than its original fall 2008 schedule.

**CITY OF DEWITT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

The total governmental disbursements this year as compared to last fiscal year are shown in the graph below.



Business-type Activities

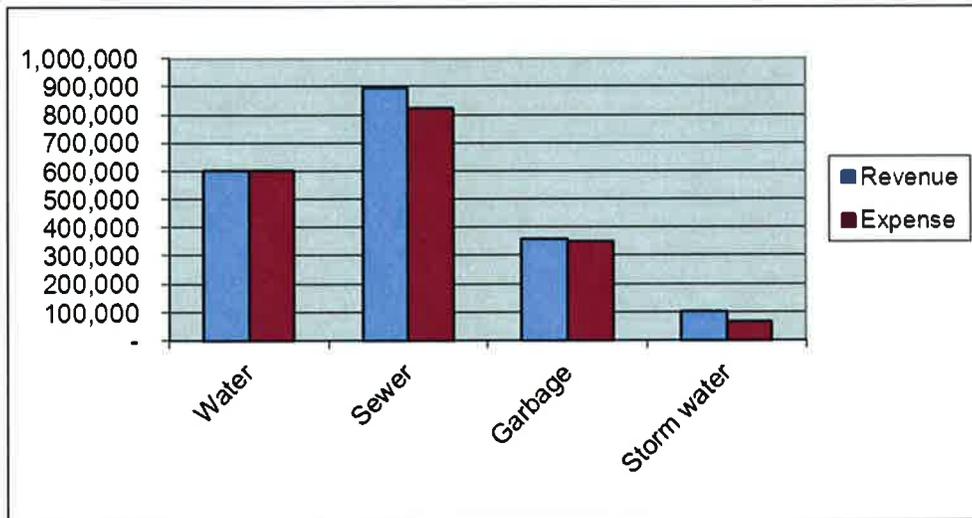
Changes in Cash Basis Net Assets of Business Type Activities

	2011	2010
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 587,477	\$ 584,333
Sewer	850,286	794,575
Garbage and recycling collection	356,048	338,388
Storm water utility	97,788	94,972
Operating grants, contributions, and restricted interest	62,173	47,699
Total receipts	1,953,772	1,859,967
 Disbursements:		
Water	603,234	593,206
Sewer	823,628	769,745
Garbage and recycling collection	347,332	336,720
Storm water utility	66,909	76,721
Total disbursements	1,841,103	1,776,392
 Increase in cash balance	112,669	83,575
 Cash basis net assets, beginning of year	2,599,086	2,515,511
 Cash basis net assets, end of year	\$2,711,755	\$2,599,086

**CITY OF DEWITT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

Total business type activities receipts for the fiscal year were \$1,953,772 compared to \$1,859,967 last year. Total disbursements for the fiscal year increased by 3.6% to a total of \$1,841,103.

For the year ended June 30, 2011, the City's business-type activities, receipts, and disbursements were as follows:



The water receipts are down about \$1,300 as compared to last fiscal year. This is due to a combination of increased metered sales revenue in the current year and decreases in refunds/reimbursement and miscellaneous revenues. Water rates remained the same until May 2011. Water disbursements decreased by over 5.7%. Most of the decrease in expense is due to scheduled well maintenance of about \$30,000 completed last year. Water debt service remained about the same. The sewer fund receipts increased and disbursements decreased. Sewer rates increased by 3.5%. Similar to water, the number of new house permits issued with sewer tap on fees increased slightly as compared to last year. Refunds and miscellaneous revenues increased drastically from \$2,971 to \$26,813 due to multiple insurance reimbursements, a Car Freshner chemical dump and receipt of Silver Creek tap on fees. The decrease in disbursements last year was due largely to the fact that the SCADA system required updating last year. Sewer debt service disbursements remained about the same. The garbage and recycling collection fund receipts and disbursements increased with both an increase in fees and an increase in households. Garbage fees were increased again to cover an increase in the cost of our garbage contract. The storm water system has now been in place for eight years. Receipts increased slightly. This fee is a set amount rather than based on any type of usage. Disbursements decreased by 30.7%. This is due to a combination of decreased building/grounds maintenance, vehicle maintenance and health insurance expense.

**CITY OF DEWITT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

Individual Major Governmental Fund Analysis

As the City completed the year, its governmental funds reported a combined fund balance of \$6,586,730, a decrease of \$1,369,634 below last year's total of \$7,956,364. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased by \$193,753 from the prior year bringing the ending cash balance to \$2,474,883. This increase was due to general fund expenses in total being less than anticipated. For example due to the resignation of the former police chief and the time required to fill the position, police full-time wages were nearly \$33,000 under budget. In addition various reserves were increased including the Fire Equipment reserve (up \$53,700) and the Aquatic Center capital reserve (up \$40,800).
- The Special Revenue, DeWitt Economic Development TIF Fund ended the fiscal year with a cash balance of \$199,996, an increase of \$188,841 from the previous year. The increase was the result of timing of TIF collections and current year debt payments. The City Council has been keeping the TIF debt certification steady to avoid increasing/decreasing year to year. We accumulate funds to pre-pay TIF debt when it is callable and sufficient funds are available. Recently funds on hand were used to reduce borrowing thus funds were low.
- The Debt Service Fund cash balance increased from \$(20,807) to \$52,372. This increase was due to 2009 general obligation bonds mandatory redemptions that differ from the debt schedule. Therefore in FY10 not enough debt service taxes were collected and collections were made up in FY11.
- The Debt Service, DeWitt Economic Development TIF Fund ended the fiscal year with a cash balance of \$0. Funds are transferred in from the Special Revenue, DeWitt Economic Development TIF Fund in order to make bond principal and interest payments as required.

Individual Major Proprietary Fund Analysis

- The Enterprise, Water Utility Fund cash balance decreased \$22,621 to \$498,636, revenues not meeting budgeted expectations. Metered sales revenue was \$36,000 less than budgeted.
- The Enterprise, Sewer Utility Fund cash balance increased \$59,269 to \$800,525, due primarily to expenses in total being under budget. This is a combination of all line items including part-time salary expense as an additional part-time position was not filled and many others.

**CITY OF DEWITT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

Budgetary Highlights

The City Council approved two budget amendments during the year. The first amendment was to decrease receipts and increase disbursements for capital projects and grants that carried over into fiscal year 2010-2011 and to add disbursements for costs related to the police personnel searches/changes, civil service costs and costs due to storms, and items carried over from previous year's budget that were not known of at the time the original budget was adopted. There were also adjustments to revenue for interest, building permits and cost reimbursements. The second budget amendment also included adjustments for capital projects and grants that were not known about previously or for which the timetable needed adjustment. It also increased various receipts such as bond proceeds, donations and interest. Disbursement adjustments included an additional payment for a refunded bond issue, street maintenance, police department, parks & recreation, new TIF rebate agreement and major motor repair at sewer plant.

Debt Administration

As of year-end, the City had \$16,538,214 in debt outstanding compared to \$17,991,214 in 2010.

Outstanding Debt at Year End

	Totals	
	<u>2011</u>	<u>2010</u>
Governmental		
General obligation	\$12,830,000	\$13,960,000
Road use refunding	1,085,000	1,190,000
DNR loan	<u>9,214</u>	<u>20,214</u>
Subtotal	<u>13,924,214</u>	<u>15,170,214</u>
Business-type		
Water revenue	749,000	806,000
Sewer revenue	<u>1,865,000</u>	<u>2,015,000</u>
Subtotal	<u>2,614,000</u>	<u>2,821,000</u>
Total	<u>\$16,538,214</u>	<u>\$17,991,214</u>

There was one new bond issued during the year. The 2011 General Obligation Refunding Bonds included funds to prepay the 2006 GO Bonds. The City is at 78.2% of its bonding capacity down from 84.9% at June 30, 2010. For more detailed information on the City's debt and amortization terms refer to Schedules 3 and 4 and Note 3 which is on pages 30 - 38.

CITY OF DEWITT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

TIF Rebates

The City has seven TIF rebate agreements with six different industries/developers. The agreements each require a specific amount of taxes to be paid in order to receive the whole rebate amount. Taxes to be paid are based on an estimate of taxable value added at the time of development or expansion. Any underpayment of taxes results in a reduction of the rebate to be paid to the industry. Some agreements also include job creation requirements that must be met to qualify for the rebate. One of the agreements is an upfront grant that must be repaid to the City by the industry if incremental taxes fall below the amount agreed to in the development agreement. That agreement for the current year had the requirements met. Therefore, the industry did not have to make any repayment to the City. Two of the agreements started in the last year. One received 100% of the annual specified payment but the other had not met the development requirements so received no payment for 2011. Two of the agreements started in the current year. Each of these received partial rebates based on incremental taxes paid. The other two have not yet started. Each agreement is written so that each year stands alone.

Economic Factors

Property taxes are important to the City, they represent approximately 28% of total program resources excluding other financing sources. Property taxes were just slightly less than expected due to unpaid taxes. TIF revenues comprised just over 16% of revenues. The largest resource, at just over 29.3%, comes from fees and charges for services and includes utility charges. Intergovernmental revenue was less this year at over 10%. The City monitors all of its resources and determines the need for program adjustment or fee increases accordingly. During fiscal year 2010-2011 the City increased sewer fees, water fees, garbage fees, cemetery rates and many other miscellaneous fees and charges. Interest revenues have been down. Drastic utility and gasoline rate increases have adversely affected the City's operating disbursements. Gasoline prices have continued to rise and fall but are up from last fiscal year. The extreme weather over the past few years has also adversely affected the City's operating costs. Ice storms, excessive snows, and strong winds required much more labor and materials costs than normal. This year wind damage has occurred multiple times. The overall economic situation has also negatively impacted collection of items like utility payments as more citizens are unemployed or underemployed. This is starting to get better but is slow to recover.

Next Year's Budget and Rates

For the year ending June 30, 2012, the general fund has been budgeted fairly consistently with this year. However, the budget does include CALEA expenses, a new police vehicle, new screen at compost site, roof replacement at referral center, Hoops for Little Trees project, painting the aquatic center, kitchen upgrade at the community center, new weight equipment at the fitness center and several improvements to the fitness center including doors, windows, carpet and track resurfacing. City council decided to begin absorbing credit card fees so increased many various fees from animal licenses to recreation fees. The snow budget includes a tailgate spreader, brine trailer and major repair to salt storage bin. The emergency tax levy is not being utilized. 411 rates are increasing from 19.9% to 24.76%. A new backhoe

CITY OF DEWITT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

is budgeted. \$40,000 is budgeted for additional architect fees for the future library expansion and \$30,000 for library roof repair. Capital projects being budgeted in governmental activities for next year include east side storm water project, inflow/infiltration project, Westbrook baseball diamond improvements, 11th Street widening, and the 11th Street west.

Legislative changes passed the last couple of years already have and will continue to negatively impact the city's budget. Property tax credit reimbursements and machinery and equipment reimbursements continue to be funded at less than 100%. The state consolidated payment was eliminated completely. Bank franchise fee revenue has been eliminated completely. Utility tax replacement revenue has been negatively impacted by a state settlement with Alliant Energy which reduced revenue. Consolidation and service sharing issues continue to be discussed at the state level with some proposals giving incentives and others giving sanctions to those cities that cannot meet participation levels. A committee is to provide feedback to the legislature on all credits and items such as TIF. The rollback and other taxation issues such as reclassification of specific types of property continue to erode the tax bases for cities. Property tax issues such as a commercial and industrial rollback of up to 60%, coupling commercial with residential and ag land values, and limiting property tax growth to a CPI were discussed to the final day this past legislative session. It is expected these will reappear this year. Much discussion also continues in regard to TIF and other economic development issues. Union rights will also continue to be discussed with several proposals that would have a very negative impact on cities.

The business-type activities include a new FT employee of which 80% is in the water utility. The water utility budget also includes a \$10,000 paint hydrants, trench box sides, part of a new backhoe and ½ of a new truck. Water rates were increased in May 2011 based on budget projections. The sewer utility budget includes 20% of new FT position, deep sewer cleaning, rebuild manholes, \$25,000 for sludge pump repairs, part of the new backhoe and ½ of a new truck. The storm water utility budget includes \$40,000 for smoke testing and \$15,000 to continue improvements in the SW corner of town. The garbage budget is higher than last years' budget. The new garbage contract costs decreased when rebid in Spring 2011. The City Council did not decrease the rate for the upcoming year. The intent is to be able to hold the garbage rate steady for several years. The new garbage contract includes going to garbage totes for collection. Water rates were increased but sewer and storm drainage rates have not been.

Financial Contact

The City's financial statements are designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the City's Director of Finance at 510 9th Street, P.O. Box 407, DeWitt, Iowa 52742 or telephone 563-659-3811.

Deanna Rodriguez
Director of Finance

BASIC FINANCIAL STATEMENTS

CITY OF DEWITT
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
As of and for the Year Ended June 30, 2011

FUNCTIONS/PROGRAMS	<u>Disbursements</u>	Program Receipts		
		<u>Charges for Service and Sales</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>
Governmental activities:				
Public safety	\$ 1,032,238	\$ 129,921	\$ 58,074	\$ -
Public works	509,679	7,720	24,282	-
Health and social services	8,629	2,400	398	-
Culture and recreation	1,069,948	460,691	114,521	-
Community and economic development	140,384	3,019	2,431	-
General government	358,670	39,611	12,630	-
Debt service	4,377,277	-	7,594	-
Capital projects	2,418,967	-	115,556	229,601
Total governmental activities	9,915,792	643,362	335,486	229,601
Business-type activities:				
Water	603,234	587,477	14,266	-
Sewer	823,628	850,286	44,074	-
Garbage and recycling collection	347,332	356,048	410	-
Storm water utility	66,909	97,788	3,423	-
Total business-type activities	1,841,103	1,891,599	62,173	-
Total	\$ 11,756,895	\$ 2,534,961	\$ 397,659	\$ 229,601

General receipts:
Property tax levied for:
 General purposes
Tax increment financing
Utility excise tax
Hotel/motel tax
Local option sales tax
Road use tax
Unrestricted investment earnings
Bond proceeds
Miscellaneous
Sale of capital assets

Total general receipts

CHANGE IN CASH BASIS NET ASSETS

CASH BASIS NET ASSETS BEGINNING OF YEAR

CASH BASIS NET ASSETS END OF YEAR

CASH BASIS NET ASSETS

Restricted:
Nonexpendable:
 Cemetery perpetual care
Expendable:
 Urban renewal purposes
 Streets
 Debt service
 Capital improvements and equipment
 Gifts and memorials
 Library
 Other purposes
Unrestricted

Total cash basis net assets

EXHIBIT A

Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (844,243)	\$ -	\$ (844,243)
(477,677)	-	(477,677)
(5,831)	-	(5,831)
(494,736)	-	(494,736)
(134,934)	-	(134,934)
(306,429)	-	(306,429)
(4,369,683)	-	(4,369,683)
<u>(2,073,810)</u>	<u>-</u>	<u>(2,073,810)</u>
<u>(8,707,343)</u>	<u>-</u>	<u>(8,707,343)</u>
-	(1,491)	(1,491)
-	70,732	70,732
-	9,126	9,126
<u>-</u>	<u>34,302</u>	<u>34,302</u>
<u>-</u>	<u>112,669</u>	<u>112,669</u>
<u>(8,707,343)</u>	<u>112,669</u>	<u>(8,594,674)</u>
2,256,089	-	2,256,089
1,297,774	-	1,297,774
58,404	-	58,404
17,433	-	17,433
561,697	-	561,697
466,757	-	466,757
14,373	-	14,373
2,570,000	-	2,570,000
38,104	-	38,104
<u>60,000</u>	<u>-</u>	<u>60,000</u>
<u>7,340,631</u>	<u>-</u>	<u>7,340,631</u>
(1,366,712)	112,669	(1,254,043)
<u>7,963,596</u>	<u>2,599,086</u>	<u>10,562,682</u>
<u>\$ 6,596,884</u>	<u>\$ 2,711,755</u>	<u>\$ 9,308,639</u>
\$ 176,877	\$ -	\$ 176,877
199,996	-	199,996
982,781	-	982,781
81,054	110,773	191,827
2,948,772	-	2,948,772
10,901	-	10,901
814,359	-	814,359
79,056	999,882	1,078,938
<u>1,303,088</u>	<u>1,601,100</u>	<u>2,904,188</u>
<u>\$ 6,596,884</u>	<u>\$ 2,711,755</u>	<u>\$ 9,308,639</u>

CITY OF DEWITT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2011

	<u>General</u>	<u>Special Revenue DeWitt Economic Development TIF</u>
RECEIPTS		
Property taxes	\$ 1,304,695	\$ -
Tax increment financing collections	-	1,297,774
Other city taxes	53,482	-
Licenses and permits	79,924	-
Use of money and property	70,630	1,602
Intergovernmental	83,555	-
Charges for services	435,762	-
Miscellaneous	175,832	-
Total receipts	<u>2,203,880</u>	<u>1,299,376</u>
DISBURSEMENTS		
Governmental activities:		
Public safety	935,997	-
Public works	34,189	-
Health and social services	8,629	-
Culture and recreation	1,070,968	-
Community and economic development	76,813	51,551
General government	358,995	-
Debt service	-	-
Capital projects	-	-
Total disbursements	<u>2,485,591</u>	<u>51,551</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(281,711)</u>	<u>1,247,825</u>
OTHER FINANCING SOURCES (USES)		
Proceeds of bonds	-	-
Sale of capital assets	60,000	-
Operating transfers in	430,707	-
Operating transfers out	(15,243)	(1,058,984)
Total other financing sources (uses)	<u>475,464</u>	<u>(1,058,984)</u>
NET CHANGE IN CASH BALANCES	193,753	188,841
CASH BALANCES BEGINNING OF YEAR, AS RESTATED	<u>2,281,130</u>	<u>11,155</u>
CASH BALANCES END OF YEAR	<u>\$ 2,474,883</u>	<u>\$ 199,996</u>
CASH BASIS FUND BALANCES		
Nonspendable - Cemetery perpetual care	\$ -	\$ -
Restricted for:		
Urban renewal purposes	-	199,996
Streets	-	-
Debt service	-	-
Capital improvements and equipment	-	-
Gifts and memorials	10,901	-
Library	814,359	-
Other purposes	9,548	-
Assigned for:		
Reserve police	447	-
Fire department	353,800	-
Recreation	135,840	-
Library	6,964	-
Referral center	30,445	-
Sidewalk loans	2,000	-
Tree project	1,704	-
Future equipment purchases	42,615	-
Unassigned	<u>1,066,260</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 2,474,883</u>	<u>\$ 199,996</u>

EXHIBIT B

Debt Service		Nonmajor Governmental		Total
Debt Service	DeWitt Economic Development TIF	Funds		
\$ 649,543	\$ -	\$ 301,851	\$ 2,256,089	
-	-	-	1,297,774	
14,086	-	569,968	637,536	
-	-	3,292	83,216	
4,180	3,373	55,121	134,906	
-	-	716,701	800,256	
-	-	4,259	440,021	
-	-	93,450	269,282	
<u>667,809</u>	<u>3,373</u>	<u>1,744,642</u>	<u>5,919,080</u>	
-	-	97,215	1,033,212	
-	-	475,954	510,143	
-	-	-	8,629	
-	-	-	1,070,968	
-	-	12,159	140,523	
-	-	-	358,995	
3,164,630	1,062,357	150,290	4,377,277	
-	-	2,418,967	2,418,967	
<u>3,164,630</u>	<u>1,062,357</u>	<u>3,154,585</u>	<u>9,918,714</u>	
(2,496,821)	(1,058,984)	(1,409,943)	(3,999,634)	
2,570,000	-	-	2,570,000	
-	-	-	60,000	
-	1,058,984	1,427,398	2,917,089	
-	-	(1,842,862)	(2,917,089)	
<u>2,570,000</u>	<u>1,058,984</u>	<u>(415,464)</u>	<u>2,630,000</u>	
73,179	-	(1,825,407)	(1,369,634)	
<u>(20,807)</u>	<u>-</u>	<u>5,684,886</u>	<u>7,956,364</u>	
\$ 52,372	\$ -	\$ 3,859,479	\$ 6,586,730	
\$ -	\$ -	\$ 176,877	\$ 176,877	
-	-	-	199,996	
-	-	982,781	982,781	
52,372	-	28,682	81,054	
-	-	2,948,772	2,948,772	
-	-	-	10,901	
-	-	-	814,359	
-	-	69,508	79,056	
-	-	-	447	
-	-	-	353,800	
-	-	-	135,840	
-	-	-	6,964	
-	-	-	30,445	
-	-	-	2,000	
-	-	-	1,704	
-	-	-	42,615	
-	-	(347,141)	719,119	
<u>\$ 52,372</u>	<u>\$ -</u>	<u>\$ 3,859,479</u>	<u>\$ 6,586,730</u>	

The accompanying notes are an integral part of the financial statements.

**CITY OF DEWITT
RECONCILIATION OF THE STATEMENT OF CASH
RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
TO THE STATEMENT OF ACTIVITIES AND NET ASSETS
GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2011**

Total governmental fund cash balances (page 21)	\$ 6,586,730
<i>Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:</i>	
The Internal Service Fund is used by management to charge the costs of employee payroll to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Statement of Activities and Net Assets.	<u>10,154</u>
Cash basis net assets of governmental activities (page 19)	\$ <u>6,596,884</u>
Net change in cash balances (page 21)	\$ (1,369,634)
<i>Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:</i>	
The Internal Service Fund is used by management to charge the costs of employee payroll to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.	<u>2,922</u>
Change in cash balance of governmental activities (page 19)	\$ <u>(1,366,712)</u>

The accompanying notes are an integral part of the financial statements.

CITY OF DEWITT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
As of and for the Year Ended June 30, 2011

	Water Utility	Sewer Utility
OPERATING RECEIPTS		
Charges for services	\$ 566,703	\$ 850,286
Miscellaneous	7,163	26,813
Total operating receipts	<u>573,866</u>	<u>877,099</u>
OPERATING DISBURSEMENTS		
Governmental activities:		
Nonprogram	-	-
Business-type activities:	474,355	532,216
Total operating disbursements	<u>474,355</u>	<u>532,216</u>
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	<u>99,511</u>	<u>344,883</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS)		
Interest on investments	17,077	11,258
Debt service	-	-
Capital outlay	(38,435)	(27,110)
Net non-operating receipts (disbursements)	<u>(21,358)</u>	<u>(15,852)</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>78,153</u>	<u>329,031</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers in	-	6,468
Operating transfers out	(100,774)	(276,230)
Other financing sources (uses)	<u>(100,774)</u>	<u>(269,762)</u>
NET CHANGE IN CASH BALANCES	(22,621)	59,269
CASH BALANCES BEGINNING OF YEAR	<u>521,257</u>	<u>741,256</u>
CASH BALANCES END OF YEAR	<u>\$ 498,636</u>	<u>\$ 800,525</u>
CASH BASIS FUND BALANCES		
Restricted:		
Debt service	\$ -	\$ -
Other purposes	-	-
Unrestricted	<u>498,636</u>	<u>800,525</u>
Total cash basis fund balances	<u>\$ 498,636</u>	<u>\$ 800,525</u>

EXHIBIT D

Nonmajor Proprietary Funds	Total	Internal Service Fund Payroll Clearing
\$ 453,817	\$ 1,870,806	\$ -
9,059	43,035	482,484
<u>462,876</u>	<u>1,913,841</u>	<u>482,484</u>
-	-	477,847
466,531	1,473,102	-
<u>466,531</u>	<u>1,473,102</u>	<u>477,847</u>
(3,655)	440,739	4,637
11,596	39,931	-
(290,370)	(290,370)	-
(13,801)	(79,346)	-
<u>(292,575)</u>	<u>(329,785)</u>	<u>-</u>
(296,230)	110,954	4,637
444,358	450,826	-
(73,822)	(450,826)	-
<u>370,536</u>	<u>-</u>	<u>-</u>
74,306	110,954	4,637
<u>1,331,412</u>	<u>2,593,925</u>	<u>12,393</u>
<u>\$ 1,405,718</u>	<u>\$ 2,704,879</u>	<u>\$ 17,030</u>
\$ 110,773	\$ 110,773	\$ -
999,882	999,882	-
<u>295,063</u>	<u>1,594,224</u>	<u>17,030</u>
<u>\$ 1,405,718</u>	<u>\$ 2,704,879</u>	<u>\$ 17,030</u>

The accompanying notes are an integral part of the financial statements.

CITY OF DEWITT
RECONCILIATION OF THE STATEMENT OF CASH
RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
TO THE STATEMENT OF ACTIVITIES AND NET ASSETS
PROPRIETARY FUNDS
As of and for the Year Ended June 30, 2011

Total enterprise funds cash balances (page 24)	\$ 2,704,879
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Amounts reported for business-type activities in the Statement of Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of employee payroll to individual funds. The assets of the Internal Service Fund are included in business-type activities in the Statement of Activities and Net Assets.

	<u>6,876</u>
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Cash basis net assets of business-type activities (page 19)	<u>\$ 2,711,755</u>
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Net change in cash balances (page 24)	\$ 110,954
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Amounts reported for business-type activities in the Statement of Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of employee payroll to individual funds. The change in net assets of the Internal Service Fund is reported with business-type activities.

	<u>1,715</u>
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Change in cash balance of business-type activities (page 19)	<u>\$ 112,669</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF DEWITT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of DeWitt is a political subdivision of the State of Iowa located in Clinton County. It 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 water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of DeWitt has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Clinton County Assessor's Conference Board, Clinton County Emergency Management Commission, Regional Planning Affiliation Board, Clinton County Joint E911 Service Board, and Clinton County Area Solid Waste Agency.

B. Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of activities and net assets) report 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 support.

CITY OF DEWITT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The statement of activities and net assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

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 not meeting the definition of the preceding categories. 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 that are 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 other 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 that are 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 DeWitt Economic Development TIF Fund is used to account for TIF rebate payments and transfers to the Debt Service DeWitt Economic Development TIF Fund for the payment of interest and principal of TIF debt.

CITY OF DEWITT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt Service:

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

The DeWitt Economic Development TIF Fund is used to account for the payment of interest and principal of the City's TIF debt.

Additionally, the City reports the following major proprietary funds:

The Sewer Utility Fund is used to account for the operation and maintenance of governmental facilities and sewer service that is supported by user charges.

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

The Internal Service Fund is utilized as a payroll clearing account.

C. Measurement Focus and Basis of Accounting

The City of DeWitt 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 the financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from nonoperating 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 nonoperating receipts and disbursements.

CITY OF DEWITT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

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

F. Subsequent Events

Management has evaluated subsequent events through December 20, 2011, the date the financial statements were available to be issued.

NOTE 2 - DEPOSITS

The City's deposits in banks at June 30, 2011 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; certain joint investment trusts; and warrants or improvement certificates of a drainage City.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

CITY OF DEWITT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 3 - BONDS, LOANS AND NOTES PAYABLE

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

Year Ending June 30,	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2012	\$ 1,100,000	\$ 397,678	\$ 310,000	\$ 118,325
2013	1,540,000	367,706	329,000	108,525
2014	1,520,000	327,094	343,000	98,105
2015	1,325,000	280,306	357,000	87,125
2016	1,315,000	247,543	361,000	75,575
2017 - 2021	3,355,000	806,742	1,399,000	210,265
2022 - 2026	2,165,000	332,033	600,000	46,320
2027	510,000	20,910	-	-
Total	<u>\$12,830,000</u>	<u>\$ 2,780,012</u>	<u>\$3,699,000</u>	<u>\$ 744,240</u>

Year Ending June 30,	DNR Loan		Total	
	Principal	Interest	Principal	Interest
2012	\$ 6,243	-	\$ 1,416,243	\$ 516,003
2013	2,971	-	1,871,971	476,231
2014	-	-	1,863,000	425,199
2015	-	-	1,682,000	367,431
2016	-	-	1,676,000	323,118
2017 - 2021	-	-	4,754,000	1,017,007
2022 - 2026	-	-	2,765,000	378,353
2027	-	-	510,000	20,910
Total	<u>\$ 9,214</u>	<u>\$ -</u>	<u>\$16,538,214</u>	<u>\$ 3,524,252</u>

On April 1, 2011, the City issued \$2,570,000 of General Obligation Refunding Bonds, with interest rates ranging from 1.20% to 3.65%. The City issued the bonds to refund the City's General Obligation Bonds, Series 2006, dated May 1, 2006 with interest rates ranging from 3.75% to 4.35%.

The current refunding decreased total debt service payments over the next 15 years by \$194,248. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$159,174.

CITY OF DEWITT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 3 - BONDS, LOANS AND NOTES PAYABLE (CONTINUED)

On May 1, 2010, the City issued \$3,810,000 of General Obligation Urban Renewal and Refunding Bonds, with interest rates ranging from 1.00% to 2.85%. The City issued the bonds to provide funds to pay the costs of undertaking urban renewal projects in the DeWitt Economic Development City consisting of constructing street, water, sanitary and storm sewer and sidewalk improvements and installing street lighting and street signalization improvements; constructing a community gymnasium and recreation facility; and refunding the City's General Obligation Urban Renewal Refunding Bonds, Series 2005, dated April 1, 2005 with interest rates ranging from 2.75% to 3.3%.

The current refunding increased total debt service payments over the next 4 years by \$76,245. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$10,220.

On February 1, 2008, the City issued \$3,610,000 of General Obligation Bonds, with interest rates ranging from 3.5% to 4.1%. The City issued the bonds to provide funds to pay the cost of constructing street and related improvements, acquiring equipment for the police department and public works department and to advance refund \$1,770,000 of the outstanding Series 2002 General Obligation Bonds with interest rates ranging from 3.90% to 5.25%. The City used a portion of the net proceeds along with other resources to purchase U.S. Treasury Securities. These securities were deposited in an escrow account to provide for all future debt service on the refunded 2002 General Obligation Bonds. As a result, the Series 2002 General Obligation Bonds are considered defeased. The outstanding principal of the defeased bonds is \$1,410,000 at June 30, 2011.

The advance refunding increased total debt service payments over the next 5 years by \$60,269. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$85,817.

1997 WWTP Sewer Revenue Bonds

The City has pledged the net revenues of the Wastewater Treatment System of the City to repay the \$1,500,000 1997 WWTP Sewer Revenue Bonds issued in April 1997. Proceeds from the bonds provided financing for the improvements and extensions to the Municipal Sanitary Sewer System of the City. The bonds are payable solely from the net revenues of the Wastewater Treatment System and are payable through 2017. The total interest and principal remaining to be paid on the bonds is \$637,400.

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

The Series 1997 Bond is payable from Net Revenues of the Utility which will be collected in a Sinking Fund and applied to the payment of interest on the Series 1997 Bond on each June 1 and December 1 and principal of the Series 1997 Bond on each June 1 (the 12-month period ending on each June 1 being herein referred to as a "Bond Year"); the Sinking Fund is used primarily to

CITY OF DEWITT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 3 - BONDS, LOANS AND NOTES PAYABLE (CONTINUED)

achieve a proper matching of revenues with principal and interest payments within each Bond Year; the Sinking Fund will be depleted at least once each Bond Year except for a reasonable carryover amount not to exceed the greater of (i) the earnings on the fund for the immediately preceding Bond Year; or (ii) 1/12 of the principal and interest payments on the Series 1997 Bond for the immediately preceding Bond Year; amounts on deposit in the Sinking Fund will be invested by the City without restriction as to yield for a period of 13 months after their date of deposit.

There is hereby created and shall be maintained a separate Sewer Revenue Bond Reserve Fund (the "Reserve Fund") and from and after the issuance of the Bonds, there shall be set aside and paid each month into the Reserve Fund from the Net Revenues of the Utility, after first making the required payments into the Sinking Fund, an amount equal to the amount required hereunder to be deposited in such month into the Sinking Fund; provided, however, that when the total amount on deposit in the Reserve Fund is equal to the lesser of (i) the maximum amount of principal and interest becoming due on the Bonds in any succeeding fiscal year; (ii) 125% of the average amount of principal and interest becoming due on the Bonds in any succeeding fiscal year; or (iii) 10 percent of the principal amount of the Bonds then outstanding (the "Required Reserve Fund Balance"), no further deposits shall be made into the Reserve Fund, except to maintain the Reserve Fund at such level, and when the amount on deposit in the Reserve Fund is greater than the Required Reserve Fund Balance, such additional amounts shall be withdrawn and paid into the Revenue Fund. Money in the Reserve Fund shall be used solely for the purpose of paying principal at maturity of or interest on the Bonds and Parity Obligations for the payment of which insufficient money shall be available in the Sinking Fund. Whenever it shall become necessary to so use money in the Reserve Fund, the prescribed payments referred to above shall be continued or resumed until the amount on deposit in the Reserve Fund has been restored to the Required Reserve Fund Balance. As of June 30, 2008, the City was no longer obligated to maintain a balance in the Reserve Fund, except insofar as such a balance is required with respect to other municipal bonds or notes issued by the City and payable from the Net Revenues of the Municipal Sanitary Sewer System.

There is hereby created a special fund to be known and designated as the Improvement and Extension Fund (hereinafter referred to as the "Improvement Fund") into which there shall be set apart and paid from the balance of the Net Revenues remaining, the sum of one-thousand five-hundred dollars (\$1,500) on the first day of each month of each year until such time as there has been accumulated in the Improvement Fund the sum of five-hundred thousand dollars (\$500,000) (the "Required Improvement Fund Balance"). All money credited to the Improvement Fund shall be used and is hereby pledged solely and only to pay the cost of capital improvements and extensions of the Utility.

2005 SRF Sewer Revenue Bonds

The City has pledged the net revenues of the Municipal Sanitary Sewer System of the City to repay the \$1,599,000 2005 SRF Sewer Revenue Bonds issued in December 2005. Proceeds from the bonds provided financing for the cost of constructing improvements and extension to the

CITY OF DEWITT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 3 - BONDS, LOANS AND NOTES PAYABLE (CONTINUED)

Municipal Sanitary Sewer System. The bonds are payable solely from the net revenues of the Municipal Sanitary Sewer System and are payable through 2026. The total interest and principal remaining to be paid on the bonds is \$1,610,310.

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

The provisions in and by the Outstanding Bond Resolution, whereby there has been created and is to be maintained a Sewer Revenue Bond Sinking Fund (herein referred to as the "Sinking Fund"), and for the payment into said fund from the Net Revenues of the Utility such portion thereof as will be sufficient to pay the interest on and principal of the Outstanding Bonds, are all hereby ratified and confirmed, and all such provisions shall inure and constitute the security for the payment of the interest on and principal of the Bonds hereby authorized as may be outstanding from time to time; provided, however that on the first day of each month of each year, the minimum amount to be set aside and paid into the Sinking Fund shall be not less than as follows:

An amount equal to 1/6th of the installment of interest coming due on the next interest payment date on the then outstanding Bonds, the Outstanding Bonds and any Parity Obligations, plus an amount equal to 1/12th of the installment of principal coming due on such Bonds, the Outstanding Bonds and any Parity Obligations on the next succeeding principal payment date until the full amount of such installment is on deposit in the Sinking Fund.

Money in the Sinking Fund shall be used solely for the purpose of paying principal of and interest on the Bonds, the Outstanding Bonds and any Parity Obligations as the same shall become due and payable. Whenever Parity Obligations are issued under the conditions and restrictions hereinafter set forth, provisions shall be made for additional payments to be made into the Sinking Fund for the purpose of paying the interest on and principal of such Parity Obligations.

If at any time there be a failure to pay into the Sinking Fund the full amount above stipulated, then an amount equivalent to the deficiency shall be paid into the Sinking Fund from the Net Revenues of the Utility as soon as available, and the same shall be in addition to the amount otherwise required to be so set apart and paid into the Sinking Fund.

No further payments need be made into the Sinking Fund when and so long as the amount therein is sufficient to retire all of the Bonds, the Outstanding Bonds and any Parity Obligations then outstanding which are payable from the Sinking Fund and to pay all interest to become due thereon prior to such retirement, or if provision for such payment has been made.

All of such payments required to be made into the Sinking Fund shall be made in equal monthly installments on the first day of each month, except that when the first day of any month shall be a Sunday or legal holiday, then such payments shall be made on the next succeeding secular day. There shall be and there is hereby created a special fund to be known and designated as the Surplus Fund into which there shall be set apart and paid all of the Net Revenues remaining after

CITY OF DEWITT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 3 - BONDS, LOANS AND NOTES PAYABLE (CONTINUED)

first making the required payments into the Sinking Fund. All money credited to the Surplus Fund shall be transferred and credited to the Sinking Fund whenever necessary to prevent or remedy a default in the payment of the principal of or interest on the Bonds, the Outstanding Bonds and any Parity Obligations.

As long as the Sinking Fund has the full amounts required to be deposited therein by the Outstanding Bond Resolution and this resolution, any balance in the Surplus Fund may be made expended by the City in such manner as the Council, or such other duly constituted body as may then be charged with the operation of the Utility, may from time to time direct.

All money held in any fund or account created or to be maintained under the terms of this resolution shall be deposited in lawful depositories of the City or invested in accordance with Chapters 12B and 12C of the Code of Iowa and continuously held and secured as provided by the laws of the State of Iowa relating to the depositing, securing, holding and investing of public funds. All interest received by the City as a result of investments under this section shall be considered to constitute Gross Revenues of the Utility and shall be deposited in or transferred to the Sewer Revenue Fund and used solely and only for the purposes specified herein for such funds.

For the current year, principal and interest paid and total customer net receipts for the City's Sewer Revenue Bonds were \$209,190 and \$344,883, respectively.

2002 SRF Water Revenue Bonds

The City has pledged the net revenues of the Water System of the City to repay the \$1,100,000 2002 SRF Water Revenue Bonds issued in March 2002. Proceeds from the bonds provided financing for the cost of constructing improvements to the Water System. The bonds are payable solely from the net revenues of the Water System and are payable through 2022. The total interest and principal remaining to be paid on the bonds is \$890,570. For the current year, principal and interest paid and total customer net receipts for the City's Water Revenue Bonds were \$81,180 and \$99,511, respectively.

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

There shall be and there is hereby created, and there shall be maintained, an account to be known as the "Water Revenue Bond Sinking Fund" (herein referred to as the "Sinking Fund"), into which there shall be set aside from the future Net Revenues of the Utility such portion thereof as will be sufficient to pay the interest on and principal of all of the Bonds and any Parity Obligations at any time outstanding as the same become due, and it is hereby determined that the minimum amounts to be set aside into the Sinking Fund from the Net Revenues during each month of each year shall be not less than as follows:

CITY OF DEWITT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 3 - BONDS, LOANS AND NOTES PAYABLE (CONTINUED)

An amount equal to 1/6th of the installment of interest coming due on the next interest payment date on the then outstanding Bonds and any Parity Obligations, plus an amount equal to 1/12th of the installment of principal coming due on such Bonds and any Parity Obligations on the next succeeding principal payment date until the full amount of such installment is on deposit in the Sinking Fund.

Money in the Sinking Fund shall be used solely for the purpose of paying principal of and interest on the Bonds and any Parity Obligations as the same shall become due and payable. Whenever Parity Obligations are issued under the conditions and restrictions hereinafter set forth, provisions shall be made for additional payments to be made into the Sinking Fund for the purpose of paying the interest on and principal of such Parity Obligations.

If at any time there be a failure to pay into the Sinking Fund the full amount above stipulated, then an amount equivalent to the deficiency shall be paid into the Sinking Fund from the Net Revenues of the Utility as soon as available, and the same shall be in addition to the amount otherwise required to be so set apart and paid into the Sinking Fund.

No further payments need be made into the Sinking Fund when and so long as the amount therein is sufficient to retire all of the Bonds and any Parity Obligations then outstanding which are payable from the Sinking Fund and to pay all interest to become due thereon prior to such retirement, or if provision for such payment has been made.

All of such payments required to be made into the Sinking Fund shall be made in equal monthly installments on the first day of each month, except that when the first day of any month shall be a Sunday or legal holiday, then such payments shall be made on the next succeeding secular day.

These shall be and there is hereby created a special fund to be known and designated as the Surplus Fund into which there shall be set apart and paid all of the Net Revenues remaining after first making the required payments into the Sinking Fund. All money credited to the Surplus Fund shall be transferred and credited to the Sinking Fund whenever necessary to prevent or remedy a default in the payment of the principal of or interest on the Bonds and any Parity Obligations.

As long as the Sinking Fund has the full amounts required to be deposited therein by this resolution, any balance in the Surplus Fund may be made available to the City as the Council, or such other duly constituted body as may then be charged with the operation of the Utility, may from time to time direct.

2005 Road Use Tax Fund Refunding Bonds

On October 1, 2005, the City issued \$1,640,000 of Road Use Tax Refunding Bonds, with interest rates ranging from 3.25% to 4.05%. The City issued the bonds to advance refund \$1,510,000 of the outstanding Series 2000 Road Use Revenue Bonds with interest rates ranging from 5.50% to 5.75%. The City used the net proceeds along with other resources to purchase U.S. Treasury

CITY OF DEWITT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 3 - BONDS, LOANS AND NOTES PAYABLE (CONTINUED)

Securities. These securities were deposited in an escrow account to provide for all future debt service on the refunded Series 2000 Road Use Revenue Bonds. As a result, the Series 2000 Road Use Revenue Bonds are considered defeased. The outstanding principal of the defeased bonds is \$1,045,000 at June 30, 2011.

The advance refunding reduced total debt service payments over the next 15 years by \$119,706. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$99,449.

The refunding bonds are not general obligations of the City, but are payable solely and only from annual road use tax funds received by the City from the State of Iowa (the "Road Use Tax Revenues"), a sufficient portion of which has been ordered set aside and pledged for that purpose. This Bond is not payable in any manner by general taxation, and under no circumstances shall the City be in any manner liable by reason of the failure of the said Road Use Tax Revenues to be sufficient for the payment of this Bond and interest hereon. The bonds are payable through 2020. Total principal and interest remaining to be paid on the notes is \$1,304,960. For the current year, principal and interest paid and total road use tax receipts were \$149,840 and \$466,757 respectively.

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

From and after the issuance of the Refunding Bonds, the Road Use Tax Revenues received by the City shall continue to be set aside into the City's Road Use Tax Revenue Fund. The Road Use Tax Revenue Fund shall first be used to pay the principal of the interest on the Refunding Bonds, and to create and maintain the several separate funds hereinafter established, and next shall be used to pay for road related improvements and services.

There shall be set aside and deposited into the City's Road Use Tax Revenue Sinking Fund (the "Sinking Fund") which shall be held by the Trustee a sufficient portion of the Road Use Tax Revenues on deposit in the Road Use Tax Revenue Fund as will be sufficient to pay the interest on and principal of the Refunding Bonds as the same become due, and it is hereby determined that the minimum amount to be so set aside into the Sinking Fund from the Road Use Tax Revenue Fund during each month of each year shall be not less than as follows:

commencing on or before November 1, 2005, to and including April 1, 2006, a sum equal to 1/6th of the principal of all of the Refunding Bonds maturing on May 1, 2006; and commencing May 1, 2006, and continuing thereafter, a sum equal to 1/12th of the principal of all of the Refunding Bonds maturing on the May 1 next succeeding; and commencing on or before November 1, 2005, and continuing thereafter, a sum equal to 1/6th of the interest becoming due on the next succeeding interest payment date on all of the Refunding Bonds;

provided, however, that no further payments need be made into the Sinking Fund when and so long as the amount therein is sufficient to retire the Refunding Bonds then outstanding which are

CITY OF DEWITT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 3 - BONDS, LOANS AND NOTES PAYABLE (CONTINUED)

payable from the Sinking funds and to pay all interest to become due thereon prior to such retirement, or if provision for such payment has been made.

The Sinking Fund and that portion of the Road Use Tax Revenues contained therein shall be used solely and only and are hereby pledged for the purpose of paying the interest on the principal of the Refunding Bonds. Within the Sinking Fund, there is hereby established an Interest Account and a Principal Account, and money deposited into the Sinking Fund shall be credited by the Trustee first to the Interest Account, in an amount equal to the interest payment requirements during the current fiscal year and next to the Principal Account, in an amount equal to the principal payment requirements during the current fiscal year.

If at any time there be a failure to pay into the Sinking Fund the full amounts above stipulated, then an amount equivalent to the deficiency shall be paid into the Sinking Fund from the Road Use Tax Revenue Fund as soon as available, and the same shall be in addition to the amounts otherwise required to be so set apart and paid into the Sinking Fund.

Such payments into the Sinking Fund shall be made in monthly installments on the first day of each month, except that when the first day of any month does not fall on a regular business day, then such payments shall be made on the next succeeding business day.

There is hereby created a special fund to be known and designated as the Principal and Interest Reserve Fund for the Refunding Bonds (hereinafter referred to as the "Reserve Fund"), which shall be held by the Trustee and into which there shall be set apart and paid from the Loan Proceeds at the time of the delivery of the Refunding Bonds an amount equal to the lesser of: (i) the maximum amount of principal and interest becoming due on the Refunding Bonds in any succeeding fiscal year, (ii) 125% of the average amount of principal and interest becoming due on the Refunding Bonds in any succeeding fiscal year; or (iii) 10% of the principal amount of the Refunding Bonds (the "Required Reserve Fund Balance"), which amount has been determined to be \$149,840. Thereafter, whenever the sum on deposit in the Reserve Fund has been reduced to less than the Required Reserve Fund Balance by the expenditure of all or a portion of the funds on deposit therein for any of the purposes specified herein, there shall be deposited into the Reserve Fund the remaining Road Use Tax Revenues after first making the required deposits into the Sinking Fund, until the sum on deposit in the Reserve Fund has been restored to the Required Reserve Fund Balance. All money credited to the Reserve Fund shall be used and is hereby pledged for the payment of the principal of and interest on the Refunding Bonds whenever for any reason the funds on deposit in the Sinking Fund are insufficient to pay such principal and interest when due.

There shall be set apart and paid into the City's Surplus Revenue Fund all of the Road Use Revenue Fund, the Sinking Fund and the Reserve Fund and after the Reserve Fund contains the Required Reserve Fund Balance. All money credited to the Surplus Fund shall be transferred and credited to the Sinking Fund whenever necessary to prevent or remedy a default in the payment of the principal of or interest on the Refunding Bonds or shall be transferred and credited to the Reserve Fund whenever any deficiency may exist in the Reserve Fund.

CITY OF DEWITT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 3 - BONDS, LOANS AND NOTES PAYABLE (CONTINUED)

As long as the Sinking Fund and the Reserve Fund have the full amounts required to be deposited therein by this resolution, any balance in the Surplus Fund may be used by the City to pay principal of and interest on (including reasonable reserves therefore) any other obligations payable from the Road Use Tax Revenues but subordinate in lien to the Refunding Bonds.

All money held in any fund created or to be maintained under the terms of this resolution shall be deposited in lawful depositories of the City or invested in accordance with Chapters 12B and 12C of the Code of Iowa and continuously held and secured as provided by the laws of the State of Iowa relating to the depositing, securing, holding and investing of public funds. All interest received by the City as a result of investments under this section shall be deposited in or transferred to the Sinking Fund and used solely and only for the purposes specified herein for such fund.

DNR Loan Payable

On September 30, 2008, the City of Dewitt entered into a loan agreement with the Department of Natural Resources for the purpose of paying costs associated with the acquisition of a compost screener. The loan amount totaled \$51,214, of which \$20,000 will be forgiven if all contractual obligations are met. Quarterly principal payments in the amount of \$1,561 are required at 0% interest. The loan will be repaid with future tax revenues and the proceeds are to be held in the Debt Service Fund of the City and set aside to be used solely and only for the payment of the principal of the loan. The loan is secured by a Uniform Commercial Code Financing Statement filed with the Office of the Secretary of State on all tangible property purchased with funds received.

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 supplemental information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$74,735, \$65,081, and \$55,570, respectively, equal to the required contributions for each year.

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of

CITY OF DEWITT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 4 - PENSION AND RETIREMENT BENEFITS (CONTINUED)

Trustees. The Plan provides retirement, disability and death benefits which are established by State statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplemental information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, Suite 201, West Des Moines, Iowa 50266.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate, based upon an actuarially determined normal contribution rate, cannot be less than 17% of earnable compensation. Contribution requirements are established by State statute. The City's contribution to the Plan for the years ended June 30, 2011, 2010, and 2009, were \$97,161, \$83,282, and \$89,340, respectively, which met the required minimum contribution for each year.

NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 19 active members and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with United Healthcare. The monthly premium with United Healthcare is the same for active employees and retirees based on plan type.

Active employees pay 5% of the monthly premium. Retirees under the age of 65 pay 100% of the monthly premium plus a calculated amount to cover self-insurance of deductible/out-of-pocket reimbursements and administration.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$314 for single coverage, \$686 for employee/spouse coverage, \$652 for employee/child(ren) coverage and \$1,030 for employee/spouse/child(ren) coverage. There are no retirees participating in the plan. For the year ended June 30, 2011, the City contributed \$139,684 and plan members eligible for benefits contributed \$7,352 to the plan.

NOTE 6 - COMPENSATED ABSENCES

City employees accumulate earned but unused vacation hours and personal days for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as expenditures by the City until used or paid. The City's approximate maximum liability for earned compensated absences payable to employees at June 30, 2011, primarily relating to the General Fund, was \$56,029. This liability has been computed based on rates of pay as of June 30, 2011.

**CITY OF DEWITT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 6 - COMPENSATED ABSENCES (CONTINUED)

City employees also accumulate sick leave hours for subsequent use. These accumulations are not recognized as disbursements by the City until used or paid. Upon termination, retirement, or death, these accumulations are forfeited by the employee.

NOTE 7 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 430,707	\$ 15,243
Special Revenue:		
DeWitt Economic Development TIF	-	1,058,984
Debt Service:		
DeWitt Economic Development TIF	1,058,984	-
Other Nonmajor Governmental Funds	1,427,398	1,842,862
Water Utility	-	100,774
Sewer Utility	6,468	276,230
Other Nonmajor Proprietary Funds	<u>444,358</u>	<u>73,822</u>
	<u>\$ 3,367,915</u>	<u>\$ 3,367,915</u>

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

NOTE 8 - COMMITTED CONSTRUCTION

As of June 30, 2011, the City had the following committed construction:

	<u>Total Contract Amount</u>	<u>Portion at June 30, 2011</u>	
<u>Project</u>		<u>Completed</u>	<u>Committed</u>
6 th Avenue-Supplemental	\$ 463,368	\$ 414,417	\$ 48,951
11 th Street Widening	1,427,277	331,293	1,095,984
11 th Street Traffic Signalization	65,252	-	65,252
East Side Storm Water Improvements	488,886	31,409	457,477
10 th Street Reconstruction	982,348	100,290	882,058
2011 Street Maintenance	70,000	-	70,000
Westbrook Ball Fields	<u>284,043</u>	<u>114,521</u>	<u>169,522</u>
Total	<u>\$ 3,781,174</u>	<u>\$ 991,930</u>	<u>\$2,789,244</u>

**CITY OF DEWITT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 9 - RISK MANAGEMENT

The City of DeWitt 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 10 - DEFICIT BALANCE

The Springbrook Road/17th Street Capital Project Fund had a deficit balance of \$347,141 at June 30, 2011. The deficit balance was a result of an agreement between the City and a local developer to share in the cost of a new street. Due to financial difficulties, the developer has not been able to repay the portion owed to the City. However, arrangements have been made for the funds to be paid back over a longer period of time. The deficit balance will be eliminated upon receipt of the funds owed to the City.

NOTE 11 - DEVELOPMENT AND REBATE AGREEMENTS

The City has entered into development agreements authorizing the payment of economic development tax rebate payments, pursuant to Chapters 15A and 403 of the Code of Iowa. The maximum amount to be paid to recipients at year end was \$1,746,070.

During the year ended June 30, 2011, the City rebated \$47,941.

NOTE 12 - ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>General</u>	DeWitt Public <u>Library</u>	Library <u>Endowment</u>
Balances at June 30, 2010, as previously reported	\$ 1,512,946	\$ 2,382	\$ 765,802
Change in fund type classification per implementation of GASB Statement No. 54	<u>768,184</u>	<u>(2,382)</u>	<u>(765,802)</u>
Balances at June 30, 2010, as restated	<u>\$ 2,281,130</u>	<u>\$ -</u>	<u>\$ -</u>

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF DEWITT
BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
Year Ended June 30, 2011

	Governmental Fund Types	Proprietary Fund Type	Less Funds Not Required to be
	<u>Actual</u>	<u>Actual</u>	<u>Budgeted</u>
RECEIPTS			
Property taxes	\$ 2,256,089	\$ -	\$ -
Tax increment financing collections	1,297,774	-	-
Other city taxes	637,536	-	-
Licenses and permits	83,216	-	-
Use of money and property	134,906	39,931	-
Intergovernmental	800,256	-	-
Charges for services	440,021	1,870,806	-
Miscellaneous	<u>269,282</u>	<u>525,519</u>	<u>482,484</u>
Total receipts	<u>5,919,080</u>	<u>2,436,256</u>	<u>482,484</u>
DISBURSEMENTS			
Public safety	1,033,212	-	-
Public works	510,143	-	-
Health and social services	8,629	-	-
Culture and recreation	1,070,968	-	-
Community and economic development	140,523	-	-
General government	358,995	-	-
Debt service	4,377,277	-	-
Capital projects	2,418,967	-	-
Business-type activities	-	1,842,818	-
Nonprogram	<u>-</u>	<u>477,847</u>	<u>477,847</u>
Total disbursements	<u>9,918,714</u>	<u>2,320,665</u>	<u>477,847</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,999,634)	115,591	4,637
OTHER FINANCING SOURCES (USES), (NET)	<u>2,630,000</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	(1,369,634)	115,591	4,637
BALANCES BEGINNING OF YEAR	<u>7,956,364</u>	<u>2,606,318</u>	<u>12,393</u>
BALANCES END OF YEAR	<u>\$ 6,586,730</u>	<u>\$ 2,721,909</u>	<u>\$ 17,030</u>

<u>Net</u>	<u>Budgeted Amounts</u>		Final to Actual
	<u>Original</u>	<u>Final</u>	Variance - Positive (Negative)
\$ 2,256,089	\$ 2,258,944	\$ 2,258,944	\$ (2,855)
1,297,774	1,300,000	1,300,000	(2,226)
637,536	608,676	608,676	28,860
83,216	58,248	74,198	9,018
174,837	144,760	167,174	7,663
800,256	1,318,625	957,225	(156,969)
2,310,827	2,342,373	2,353,015	(42,188)
312,317	224,907	376,555	(64,238)
<u>7,872,852</u>	<u>8,256,533</u>	<u>8,095,787</u>	<u>(222,935)</u>
1,033,212	1,161,674	1,170,236	137,024
510,143	693,154	1,175,989	665,846
8,629	8,900	8,900	271
1,070,968	1,103,076	1,212,330	141,362
140,523	160,353	181,012	40,489
358,995	367,384	379,311	20,316
4,377,277	1,897,182	4,379,924	2,647
2,418,967	5,480,553	4,999,092	2,580,125
1,842,818	1,923,260	2,002,007	159,189
-	-	-	-
<u>11,761,532</u>	<u>12,795,536</u>	<u>15,508,801</u>	<u>3,747,269</u>
(3,888,680)	(4,539,003)	(7,413,014)	3,524,334
<u>2,630,000</u>	<u>3,500</u>	<u>2,573,500</u>	<u>56,500</u>
(1,258,680)	(4,535,503)	(4,839,514)	3,580,834
<u>10,550,289</u>	<u>6,440,611</u>	<u>17,003,292</u>	<u>(6,453,003)</u>
<u>\$ 9,291,609</u>	<u>\$ 1,905,108</u>	<u>\$ 12,163,778</u>	<u>\$ (2,872,169)</u>

CITY OF DEWITT
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION -
BUDGETARY REPORTING
June 30, 2011

The budgetary comparison is presented as Required Supplemental 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 comparison 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 Internal Service Funds. 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 or fund type. 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 Funds, Capital Projects Funds, Permanent Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$2,713,265. The budget amendments are reflected in the final budgeted amounts.

OTHER SUPPLEMENTAL INFORMATION

CITY OF DEWITT
COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2011

	Special Revenue					Economic Development Revolving Loan Fund
	Road Use Tax	Road Use Tax Reserve	Road Use Equipment Replacement	Local Option Sales Tax	Local Option Sales Tax Equipment Reserve	
RECEIPTS						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other city taxes						
Local option sales tax	-	-	-	561,697	-	-
Utility replacement tax	-	-	-	-	-	-
Total other city taxes	-	-	-	561,697	-	-
Licenses and permits	-	-	-	3,292	-	-
Use of money and property						
Interest on investments	-	5,544	235	4,482	-	351
Intergovernmental						
Road use tax	466,757	-	-	-	-	-
State grants	26,832	-	-	-	-	-
Federal grants	-	-	-	-	-	-
Total intergovernmental	493,589	-	-	-	-	-
Charges for services	-	-	-	3,609	-	-
Miscellaneous	6,978	-	-	4,532	-	-
Total receipts	500,567	5,544	235	577,612	-	351
DISBURSEMENTS						
Public safety	-	-	-	-	-	-
Public works	326,169	-	-	149,785	-	-
Community and economic development	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Total disbursements	326,169	-	-	149,785	-	-
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	174,398	5,544	235	427,827	-	351
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	-	-	-	23,500	-
Operating transfers out	(143,332)	(5,544)	-	(248,179)	-	-
Total other financing sources (uses)	(143,332)	(5,544)	-	(248,179)	23,500	-
NET CHANGE IN CASH BALANCES	31,066	-	235	179,648	23,500	351
CASH BALANCES BEGINNING OF YEAR, AS RESTATED	291,861	149,840	25,510	281,121	-	38,220
CASH BALANCES END OF YEAR	\$ 322,927	\$ 149,840	\$ 25,745	\$ 460,769	\$ 23,500	\$ 38,571
CASH BASIS FUND BALANCES						
Nonspendable - Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:						
Streets	322,927	149,840	25,745	460,769	23,500	-
Debt service	-	-	-	-	-	-
Capital improvements and equipment	-	-	-	-	-	-
Other purposes	-	-	-	-	-	38,571
Unassigned	-	-	-	-	-	-
Total cash basis fund balances	\$ 322,927	\$ 149,840	\$ 25,745	\$ 460,769	\$ 23,500	\$ 38,571

SCHEDULE 1

Special Revenue				Debt Service	Capital Projects
Retirement Benefits	Employee Benefits	Police Capital Improvements	SSMID	Road Use	2008 Homeownership Grant
\$ 98,708	\$ 200,137	\$ -	\$ 3,006	\$ -	\$ -
-	-	-	-	-	-
2,732	5,539	-	-	-	-
2,732	5,539	-	-	-	-
-	-	-	-	-	-
128	-	129	-	40	-
-	-	-	-	-	-
-	-	-	-	-	2,021
-	-	-	-	-	2,021
-	-	650	-	-	-
-	-	1,411	-	-	-
101,568	205,676	2,190	3,006	40	2,021
97,162	-	53	-	-	-
-	-	-	12,159	-	-
-	-	-	-	150,290	-
97,162	-	53	12,159	150,290	-
4,406	205,676	2,137	(9,153)	(150,250)	2,021
-	-	-	14,891	148,876	-
-	(205,676)	-	-	-	-
-	(205,676)	-	14,891	148,876	-
4,406	-	2,137	5,738	(1,374)	2,021
10,498	-	8,158	-	30,056	(2,021)
\$ 14,904	\$ -	\$ 10,295	\$ 5,738	\$ 28,682	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	28,682	-
-	-	-	-	-	-
14,904	-	10,295	5,738	-	-
-	-	-	-	-	-
\$ 14,904	\$ -	\$ 10,295	\$ 5,738	\$ 28,682	\$ -

CITY OF DEWITT
COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2011

Capital Projects

	2008 Owner Occupied Grant	Westbrook BB Diamond Improvement	11th Street Widening	11th Street West	East Side Storm Water Project	Star Project
RECEIPTS						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other city taxes	-	-	-	-	-	-
Local option sales tax	-	-	-	-	-	-
Utility replacement tax	-	-	-	-	-	-
Total other city taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	-
Interest on investments	-	3,114	10,745	1,044	3,156	5,160
Intergovernmental	-	-	-	-	-	-
Road use tax	-	-	-	-	-	-
State grants	-	-	-	-	119,015	-
Federal grants	88,943	-	-	-	-	-
Total intergovernmental	88,943	-	-	-	119,015	-
Charges for services	-	-	-	-	-	-
Miscellaneous	-	125	-	-	-	-
Total receipts	88,943	3,239	10,745	1,044	122,171	5,160
DISBURSEMENTS						
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital projects	53,950	109,932	306,376	225	52,016	854,441
Total disbursements	53,950	109,932	306,376	225	52,016	854,441
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	34,993	(106,693)	(295,631)	819	70,155	(849,281)
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	11,317	268,897	-	249,169	93,787
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	11,317	268,897	-	249,169	93,787
NET CHANGE IN CASH BALANCES	34,993	(95,376)	(26,734)	819	319,324	(755,494)
CASH BALANCES BEGINNING OF YEAR, AS RESTATED	(34,993)	290,376	1,145,769	75,551	104,221	755,494
CASH BALANCES END OF YEAR	\$ -	\$ 195,000	\$ 1,119,035	\$ 76,370	\$ 423,545	\$ -
CASH BASIS FUND BALANCES						
Nonspendable - Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:	-	-	-	-	-	-
Streets	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital improvements	-	195,000	1,119,035	76,370	423,545	-
Other purposes	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total cash basis fund balances	\$ -	\$ 195,000	\$ 1,119,035	\$ 76,370	\$ 423,545	\$ -

SCHEDULE 1
(Continued)

Capital Projects					Permanent	
Silver Creek Trail	6th Avenue	Springbrook Road/ 17thStreet	Inflow/ Infiltration Project	Stimulus Projects	Cemetery Perpetual Care	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 301,851
-	-	-	-	-	-	561,697
-	-	-	-	-	-	8,271
-	-	-	-	-	-	569,968
-	-	-	-	-	-	3,292
2,792	7,310	-	8,066	2,825	-	55,121
-	-	-	-	-	-	466,757
-	-	-	-	-	-	145,847
-	3,039	-	-	10,094	-	104,097
-	3,039	-	-	10,094	-	716,701
-	-	-	-	-	-	4,259
-	74,626	3,000	81	-	2,697	93,450
2,792	84,975	3,000	8,147	12,919	2,697	1,744,642
-	-	-	-	-	-	97,215
-	-	-	-	-	-	475,954
-	-	-	-	-	-	12,159
-	-	-	-	-	-	150,290
360,713	233,160	6,357	431,225	10,572	-	2,418,967
360,713	233,160	6,357	431,225	10,572	-	3,154,585
(357,921)	(148,185)	(3,357)	(423,078)	2,347	2,697	(1,409,943)
-	-	-	225,886	391,075	-	1,427,398
(168,089)	(430,241)	(391,075)	-	(250,726)	-	(1,842,862)
(168,089)	(430,241)	(391,075)	225,886	140,349	-	(415,464)
(526,010)	(578,426)	(394,432)	(197,192)	142,696	2,697	(1,825,407)
526,010	883,129	47,291	1,027,311	(142,696)	174,180	5,684,886
\$ -	\$ 304,703	\$ (347,141)	\$ 830,119	\$ -	\$ 176,877	\$ 3,859,479
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 176,877	\$ 176,877
-	-	-	-	-	-	982,781
-	304,703	-	830,119	-	-	28,682
-	-	(347,141)	-	-	-	2,948,772
-	-	-	-	-	-	69,508
-	-	-	-	-	-	(347,141)
\$ -	\$ 304,703	\$ (347,141)	\$ 830,119	\$ -	\$ 176,877	\$ 3,859,479

CITY OF DEWITT
COMBINING SCHEDULE OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN CASH BALANCES
NONMAJOR PROPRIETARY FUNDS
As of and for the Year Ended June 30, 2011

	Storm Water Utility	Storm Water Equipment Replacement	Water Utility Equipment Replacement	Water Revenue Sinking	Water Meter Deposit
OPERATING RECEIPTS					
Charges for services	\$ 97,769	\$ -	\$ -	\$ -	\$ -
Miscellaneous	19	-	-	-	9,040
Total operating receipts	<u>97,788</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,040</u>
OPERATING DISBURSEMENTS					
Business-type activities:	53,154	-	-	-	9,820
Total operating disbursements	<u>53,154</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,820</u>
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	<u>44,634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(780)</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS)					
Interest on investments	2,662	761	1,470	290	-
Debt service	-	-	-	(81,180)	-
Capital outlay	(13,801)	-	-	-	-
Net non-operating receipts (disbursements)	<u>(11,139)</u>	<u>761</u>	<u>1,470</u>	<u>(80,890)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>33,495</u>	<u>761</u>	<u>1,470</u>	<u>(80,890)</u>	<u>(780)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	60,000	19,819	80,955	-
Operating transfers out	(60,000)	-	-	-	-
Total other financing sources (uses)	<u>(60,000)</u>	<u>60,000</u>	<u>19,819</u>	<u>80,955</u>	<u>-</u>
NET CHANGE IN CASH BALANCES	<u>(26,505)</u>	<u>60,761</u>	<u>21,289</u>	<u>65</u>	<u>(780)</u>
CASH BALANCES BEGINNING OF YEAR	<u>264,786</u>	<u>-</u>	<u>139,130</u>	<u>708</u>	<u>32,261</u>
CASH BALANCES END OF YEAR	<u>\$ 238,281</u>	<u>\$ 60,761</u>	<u>\$ 160,419</u>	<u>\$ 773</u>	<u>\$ 31,481</u>
CASH BASIS FUND BALANCES					
Restricted:					
Debt service	\$ -	\$ -	\$ -	\$ 773	\$ -
Other purposes	-	60,761	160,419	-	31,481
Unrestricted	<u>238,281</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 238,281</u>	<u>\$ 60,761</u>	<u>\$ 160,419</u>	<u>\$ 773</u>	<u>\$ 31,481</u>

SCHEDULE 2

Enterprise Funds							
Sewer Revenue Sinking	Sewer Improvement Equipment Replacement	Sewer Bond Reserve	Sewer Improvement and Extension	Sewer Utility Equipment Replacement	Garbage and Recycling Collection		Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 356,048		\$ 453,817
-	-	-	-	-	-		9,059
-	-	-	-	-	356,048		462,876
-	-	-	55,900	-	347,657		466,531
-	-	-	55,900	-	347,657		466,531
-	-	-	(55,900)	-	8,391		(3,655)
784	4,691	-	-	528	410		11,596
(209,190)	-	-	-	-	-		(290,370)
-	-	-	-	-	-		(13,801)
(208,406)	4,691	-	-	528	410		(292,575)
(208,406)	4,691	-	(55,900)	528	8,801		(296,230)
194,786	48,444	-	25,354	15,000	-		444,358
-	(13,822)	-	-	-	-		(73,822)
194,786	34,622	-	25,354	15,000	-		370,536
(13,620)	39,313	-	(30,546)	15,528	8,801		74,306
13,620	491,051	110,000	189,268	42,607	47,981		1,331,412
\$ -	\$ 530,364	\$ 110,000	\$ 158,722	\$ 58,135	\$ 56,782		\$ 1,405,718
\$ -	\$ 530,364	\$ 110,000	\$ -	\$ -	\$ -		\$ 110,773
-	-	-	158,722	58,135	-		999,882
-	-	-	-	-	56,782		295,063
\$ -	\$ 530,364	\$ 110,000	\$ 158,722	\$ 58,135	\$ 56,782		\$ 1,405,718

SCHEDULE 3

CITY OF DEWITT
 SCHEDULE OF INDEBTEDNESS
 Year Ended June 30, 2011

<u>Obligation</u>	<u>Date of Issue</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>
General obligation bonds									
Series 2006	May 1, 2006	3.750% -	\$ 2,845,000	\$ 2,590,000	\$ -	\$ 2,590,000	\$ -	\$ 107,932	\$ -
2008 Urban Renewal	April 1, 2008	2.400% -	2,240,000	1,465,000	-	100,000	1,365,000	49,908	-
2008 Refunding	February 1, 2008	3.550% -							
		3.500% -	3,610,000	3,235,000	-	175,000	3,060,000	123,285	-
Series 2009A	April 1, 2009	4.100% -							
		2.000% -	1,170,000	1,105,000	-	60,000	1,045,000	39,860	-
Series 2009B	April 1, 2009	4.300% -							
		1.900% -	1,755,000	1,755,000	-	500,000	1,255,000	38,630	-
2010 Refunding	May 1, 2010	2.600% -							
		1.000% -	3,810,000	3,810,000	-	275,000	3,535,000	94,778	-
2011 Refunding	April 1, 2011	2.850% -							
		1.200% -	-	-	2,570,000	-	2,570,000	-	-
Total		3.650% -	\$ 15,430,000	\$ 13,960,000	\$ 2,570,000	\$ 3,700,000	\$ 12,830,000	\$ 454,393	\$ -
Revenue bonds									
97 WWTP Sewer Revenue	April 3, 1997	3.000%	\$ 1,500,000	\$ 660,000	\$ -	\$ 85,000	\$ 575,000	\$ 19,800	\$ -
2002 SRF Water Revenue	March 27, 2002	3.000%	1,100,000	806,000	-	57,000	749,000	24,180	-
2005 Road Use Refunding	October 1, 2005	3.250% -							
		4.050%	1,640,000	1,190,000	-	105,000	1,085,000	44,840	-
2005 SRF Sewer Revenue	December 12, 2005	3.000%	1,599,000	1,355,000	-	65,000	1,290,000	39,390	-
Total			\$ 5,839,000	\$ 4,011,000	\$ -	\$ 312,000	\$ 3,699,000	\$ 128,210	\$ -
Loans									
2008 DNR Loan	September 30, 2008	0.000%	\$ 31,214	\$ 20,214	\$ -	\$ 11,000	\$ 9,214	\$ -	\$ -

SCHEDULE 4

CITY OF DEWITT
BOND AND NOTE MATURITIES
June 30, 2011

Year Ending June 30,	General Obligation Bonds											
	Series 2008 Urban Renewal Issued April 1, 2008				Series 2008 Refunding Issued February 1, 2008				Series 2009A Issued April 1, 2009			
	Interest Rate	Principal	Interest		Interest Rate	Principal	Interest		Interest Rate	Principal	Interest	
2012	3.100%	\$ 100,000	\$ 47,008	\$ 185,000	3.500%	\$ 117,160	\$ 2,000%	\$ -	2.000%	\$ 38,660		
2013	3.350%	500,000	43,908	190,000	3.500%	110,685	2.500%	125,000	2.500%	38,660		
2014	3.550%	765,000	27,158	200,000	3.500%	104,035	2.500%	-	2.500%	35,535		
2015	-	-	-	200,000	3.500%	97,035	3.000%	140,000	3.000%	35,535		
2016	-	-	-	210,000	3.500%	90,035	3.000%	-	3.000%	31,335		
2017	-	-	-	220,000	3.625%	82,685	3.500%	155,000	3.500%	31,335		
2018	-	-	-	-	4.000%	74,710	3.500%	-	3.500%	25,910		
2019	-	-	-	465,000	4.000%	74,710	4.000%	165,000	4.000%	25,910		
2020	-	-	-	-	4.000%	56,110	4.000%	-	4.000%	19,310		
2021	-	-	-	500,000	4.000%	56,110	4.100%	185,000	4.100%	19,310		
2022	-	-	-	-	4.000%	36,110	4.200%	100,000	4.200%	11,725		
2023	-	-	-	380,000	4.000%	36,110	4.300%	175,000	4.300%	7,525		
2024	-	-	-	-	-	20,910	-	-	-	-		
2025	-	-	-	-	-	20,910	-	-	-	-		
2026	-	-	-	-	-	20,910	-	-	-	-		
2027	-	-	-	510,000	4.100%	20,910	-	-	-	-		
TOTAL		\$ 1,365,000	\$ 118,074	\$ 3,060,000		\$ 1,019,135		\$ 1,045,000		\$ 320,750		

SCHEDULE 4
(CONTINUED)

CITY OF DEWITT
BOND AND NOTE MATURITIES
June 30, 2011

Year Ending June 30,	General Obligation Bonds											
	Series 2009B Issued April 1, 2009			Series 2010 Refunding Issued May 1, 2010			Series 2011 Refunding Issued April 1, 2011			Total		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest	
2012	2.100%	\$ 500,000	\$ 29,130	1.150%	\$ 225,000	\$ 84,738	1.200%	\$ 90,000	\$ 80,982	\$ 1,100,000	\$ 397,678	
2013	2.350%	400,000	18,630	1.550%	225,000	82,150	1.200%	100,000	73,673	1,540,000	367,706	
2014	2.600%	355,000	9,230	1.900%	100,000	78,663	1.500%	100,000	72,473	1,520,000	327,094	
2015	-	-	-	2.250%	885,000	76,763	1.850%	100,000	70,973	1,325,000	280,306	
2016	-	-	-	2.550%	1,000,000	56,850	1.950%	105,000	69,323	1,315,000	247,543	
2017	-	-	-	2.850%	1,100,000	31,350	2.200%	110,000	67,274	1,585,000	212,644	
2018	-	-	-	-	-	-	2.450%	110,000	64,854	110,000	165,474	
2019	-	-	-	-	-	-	2.600%	115,000	62,160	745,000	162,780	
2020	-	-	-	-	-	-	2.900%	115,000	59,170	115,000	134,590	
2021	-	-	-	-	-	-	3.000%	115,000	55,834	800,000	131,254	
2022	-	-	-	-	-	-	3.200%	120,000	52,385	220,000	100,220	
2023	-	-	-	-	-	-	3.300%	330,000	48,545	885,000	92,180	
2024	-	-	-	-	-	-	3.450%	340,000	37,655	340,000	58,565	
2025	-	-	-	-	-	-	3.550%	355,000	25,925	355,000	46,835	
2026	-	-	-	-	-	-	3.650%	365,000	13,323	365,000	34,233	
2027	-	-	-	-	-	-	-	-	-	510,000	20,910	
TOTAL		\$ 1,255,000	\$ 56,990		\$ 3,535,000	\$ 410,514		\$ 2,570,000	\$ 854,549	\$ 12,830,000	\$ 2,780,012	

CITY OF DEWITT
BOND AND NOTE MATURITIES
June 30, 2011

Year Ending June 30,	Revenue Bonds												
	WWTP Sewer Revenue Issued April 3, 1997			SRF Water Revenue Issued March 27, 2002			Road Use Refunding Issued October 1, 2005			SRF Sewer Revenue Issued December 12, 2005			
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest Rate	Principal	Interest	Total Principal	Total Interest
2012	3.000%	\$ 85,000	\$ 17,250	3.000%	\$ 58,000	\$ 22,470	3.500%	\$ 100,000	3.000%	\$ 67,000	\$ 37,440	\$ 310,000	\$ 118,325
2013	3.000%	90,000	14,700	3.000%	60,000	20,730	3.500%	110,000	3.000%	69,000	35,430	329,000	108,525
2014	3.000%	95,000	12,000	3.000%	62,000	18,930	3.600%	115,000	3.000%	71,000	33,360	343,000	98,105
2015	3.000%	100,000	9,150	3.000%	64,000	17,070	3.700%	120,000	3.000%	73,000	31,230	357,000	87,125
2016	3.000%	100,000	6,150	3.000%	66,000	15,150	3.800%	120,000	3.000%	75,000	29,040	361,000	75,575
2017	3.000%	105,000	3,150	3.000%	68,000	13,170	3.900%	125,000	3.000%	78,000	26,790	376,000	63,785
2018	-	-	-	3.000%	70,000	11,130	3.950%	130,000	3.000%	80,000	24,450	280,000	51,380
2019	-	-	-	3.000%	72,000	9,030	4.000%	135,000	3.000%	83,000	22,050	290,000	41,745
2020	-	-	-	3.000%	74,000	6,870	4.050%	130,000	3.000%	85,000	19,560	289,000	31,695
2021	-	-	-	3.000%	76,000	4,650	-	-	3.000%	88,000	17,010	164,000	21,660
2022	-	-	-	3.000%	79,000	2,370	-	-	3.000%	90,000	14,370	169,000	16,740
2023	-	-	-	-	-	-	-	-	3.000%	93,000	11,670	93,000	11,670
2024	-	-	-	-	-	-	-	-	3.000%	96,000	8,880	96,000	8,880
2025	-	-	-	-	-	-	-	-	3.000%	99,000	6,000	99,000	6,000
2026	-	-	-	-	-	-	-	-	3.000%	143,000	3,030	143,000	3,030
TOTAL		\$ 575,000	\$ 62,400		\$ 749,000	\$ 141,570		\$ 1,085,000		\$ 1,290,000	\$ 320,310	\$ 3,699,000	\$ 744,240

CITY OF DEWITT
SCHEDULE OF RECEIPTS BY SOURCE AND
DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
 For the Last Eight Years

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
RECEIPTS								
Property taxes	\$ 2,256,089	\$ 2,145,806	\$ 2,018,679	\$ 1,902,104	\$ 1,823,987	\$ 1,285,975	\$ 1,142,889	\$ 1,139,494
Tax increment financing collections	1,297,774	1,319,620	1,284,897	1,325,915	1,264,348	1,224,276	1,298,484	1,284,915
Other city taxes	637,536	610,041	678,090	547,681	662,819	479,487	501,753	512,877
Licenses and permits	83,216	85,203	62,521	77,702	71,646	76,584	79,090	95,035
Use of money and property	134,906	136,998	166,600	173,482	163,778	126,564	92,956	84,229
Intergovernmental	800,256	1,455,398	1,839,501	795,905	1,601,701	1,052,412	642,253	835,795
Charges for services	440,021	409,368	411,704	374,195	368,630	402,619	377,353	369,882
Miscellaneous	269,282	252,847	187,360	318,081	168,856	451,219	266,159	424,702
TOTAL RECEIPTS	\$ 5,919,080	\$ 6,415,281	\$ 6,649,352	\$ 5,515,065	\$ 6,125,765	\$ 5,099,136	\$ 4,400,937	\$ 4,746,929
DISBURSEMENTS								
Public safety	\$ 1,033,212	\$ 1,069,664	\$ 1,131,735	\$ 1,125,938	\$ 1,126,232	\$ 1,126,357	\$ 958,730	\$ 1,108,695
Public works	510,143	585,407	602,046	826,198	421,235	558,330	648,813	495,211
Health and social services	8,629	16,340	12,779	9,930	9,447	9,472	8,569	9,164
Culture and recreation	1,070,968	1,091,740	922,275	850,971	856,583	789,078	755,013	1,001,691
Community and economic development	140,523	125,239	86,543	99,217	79,739	81,814	60,113	57,533
General government	358,995	350,299	498,466	315,902	393,751	298,622	277,962	278,295
Debt service	4,377,277	2,739,057	3,758,890	3,259,523	2,018,683	3,426,315	2,248,872	1,366,230
Capital projects	2,418,967	3,095,434	3,380,588	612,324	3,192,147	1,481,876	1,185,102	2,202,277
TOTAL DISBURSEMENTS	\$ 9,918,714	\$ 9,073,180	\$ 10,393,322	\$ 7,100,003	\$ 8,097,817	\$ 7,771,864	\$ 6,143,174	\$ 6,519,096

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

To the Honorable Mayor and
Members of the City Council:

We have audited 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 DeWitt, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City of DeWitt, Iowa's basic financial statements listed in the table of contents, and have issued our report thereon dated December 20, 2011. 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 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 of DeWitt, 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 entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity'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 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, and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. 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 a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses as item II-A-11 that we consider to be a significant deficiency 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 the City of DeWitt, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 which are described in Part III of the accompanying Schedule of Findings and Responses.

We also noted one other matter that we reported to management of the City of DeWitt, Iowa, in a separate letter dated December 20, 2011.

Comments involving statutory and other legal matters about the City of DeWitt, Iowa's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City of DeWitt, Iowa. 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 of DeWitt, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the City of DeWitt, Iowa's responses, we did not audit the City of DeWitt, 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 DeWitt, Iowa and other parties to whom the City of DeWitt, 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.

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



Clinton, Iowa
December 20, 2011

**CITY OF DEWITT
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011**

Part I - Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes x no
- Significant deficiencies identified that are not
 considered to be material weaknesses? x yes none reported
- Noncompliance material to financial statements noted? yes x no

CITY OF DEWITT
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011

Part II - Findings Related to the Financial Statements:

Internal Control Deficiencies:

II-A-11 Segregation of Duties

Criteria - The City does not have effective internal controls to safeguard assets, and prevent or detect misstatements on a timely basis, as a result of a lack of segregation of duties. Internal controls should be in place to reduce to a relatively low risk the likelihood a material misstatement to the financial statements could occur and not be detected in a timely period by employees in the normal course of performing their assigned functions. A good system of internal controls contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. Due to the small number of people employed in administrative functions, the City may not be able to fully achieve an ideal segregation of duties.

Condition - Although there are four individuals with accounting and financial duties in the Business Office, at various times employees have the ability to initiate, authorize and record transactions. The Receptionist is able to accept payments, record payments received, prepare deposits slips, take deposits to the bank and reconcile accounts. The Finance Director is also able to accept payments, record payments received and reconcile accounts. In addition, the Finance Director has complete control over the general ledger. The Utility Billing Clerk prepares billings and is also able to post payments to customer accounts, prepare deposit slips and take deposits to the bank. Finally, the City Clerk and Finance Director both have access to blank check stock and are both able to prepare checks, sign checks and transfer funds. As a result, all of those aspects of internal control which rely upon an adequate segregation of duties are, for all practical purposes, missing.

Effect - As a result of these conditions, there is a higher risk that errors or irregularities could occur and not be detected within a timely period.

Cause - The entity has a limited number of personnel performing accounting functions.

Recommendation - The City should be aware of the lack of segregation of duties and regularly review controls which could be put in place to mitigate the risk that misstatements could occur and not be detected.

Response - The City recognizes that it would not be cost effective to hire additional personnel to maximize the segregation of accounting duties due to its size. However, the City will review current internal control policies and procedures and implement additional procedures in the future.

Conclusion - Response accepted.

CITY OF DEWITT
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011

Part II - Findings Related to the Financial Statements (continued)

Instances of Non-compliance:

No matters were noted.

Part III - Other Findings Related to Required Statutory Reporting:

- III-A-11 Certified budget - Disbursements during the year ended June 30, 2011 did not exceed the amount budgeted.
- III-B-11 Questionable disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-11 Travel expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-11 Business transactions - No business transactions between the City and City officials or employees were noted.
- III-E-11 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 the coverage is adequate for current operations.

CITY OF DEWITT
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011

Part III - Other Findings Related to Required Statutory Reporting (continued)

III-F-11 Council minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of Council proceedings were published, they did not include a summary of all receipts for each month of the year as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation - The City should comply with Chapter 21 of the Code of Iowa and should publish a summary of all receipts for each month of the year as required.

Response - We will comply with the Code requirements and publish a summary of receipts each month as required.

Conclusion - Response accepted.

III-G-11 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.

III-H-11 Revenue bonds and notes - No instances of non-compliance with the revenue bond and note resolutions were noted.

III-I-11 Financial condition - The Springbrook Road/17th Street Capital Project Fund had a deficit balance of \$347,141 at June 30, 2011. The deficit balance was a result of an agreement between the City and a local developer to share in the cost of a new street. Due to financial difficulties, the developer has not been able to repay the portion owed to the City.

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

Response - Arrangements have been made for the funds to be paid back over a longer period of time. The deficit balance will be eliminated upon receipt of funds owed to the City.

Conclusion - Response accepted.

December 20, 2011

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

We have completed our audit of the City of DeWitt, Iowa's financial statements as of and for the year ended June 30, 2011, and have issued our report dated December 20, 2011. In connection with our audit engagement, we noted the following matter which we would like to bring to your attention.

Time card approval

Our audit procedures included testing the payroll system controls. At present, the City requires employees to complete and submit a time card indicating hours worked during the pay period. Our tests indicated that employee time cards do not always contain documentation of approval by supervisors.

Since time cards are the source document supporting the City's labor expenses, we recommend that employees be required to sign the time card and submit them to their supervisor for approval. We also recommend that the payroll clerk review the time cards for accuracy and approval prior to the processing of payroll. We believe that these procedures will increase the City's control over payroll costs, accurate recording, and help ensure that wages are paid for work actually performed.

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

Winkel, Parker & Foster, CPA PC

Clinton, Iowa
December 20, 2011