

CITY OF WINTERSET, IOWA

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

Year Ended June 30, 2011

CITY OF WINTERSET, IOWA  
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CITY OF WINTERSET, IOWA  
CITY OFFICIALS  
June 30, 2011

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James Olson	Mayor	January 1, 2012
Howard Harrell	Council Member/Mayor Pro tem	January 1, 2012
Randy McDonald	Council Member	January 1, 2012
Edmund Seaward	Council Member	January 1, 2014
Philip Macumber	Council Member	January 1, 2014
Scott Stover	Council Member	January 1, 2012
Mark Nitchals	City Administrator	Indefinite
John Casper	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Winterset, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Winterset's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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

The financial statements referred to above include only the primary government of the City of Winterset, Iowa, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity and one of two component units of the City as described in Note 1. The financial statements do not include financial data for one of the City's legally separate component units, which U.S. generally accepted accounting principles require to be reported with the financial data of the City's primary government. As a result, the financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the City of Winterset, Iowa, as of June 30, 2010, and the changes in its financial position, for the year then ended in conformity with U.S. generally accepted accounting principles. In accordance with U.S. generally accepted accounting principles, City of Winterset, Iowa, has issued separate reporting entity financial statements for which we have issued our report dated June 7, 2011.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information of the primary government and component unit of the City of Winterset, Iowa, as of June 30, 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 15, 2011, on our consideration of City of Winterset, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the primary government financial statements and discretely presented component unit that collectively comprise the City of Winterset, Iowa's financial statements. In accordance with the standards referred to in the second paragraph of this report, the primary government financial statements for the three years ended June 30, 2010 (none of which are presented herein) were audited by us and unqualified opinions were expressed on those primary government financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the primary government financial statements. Such information, except for that portion marked "unaudited" (Schedule 5) on which we express no opinion, has been subjected to the auditing procedures applied in our audits of the primary government financial statements and, in our opinion, is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.

*Drapen, Smidgrasso, Mickelson + Co., P.C.*

December 15, 2011

CITY OF WINTERSET

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Winterset provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2011 Financial Highlights**

Much the same as last year, during this fiscal year, another major bond refinancing occurred involving the redemption of one older bond issue and the advanced refunding of another bond issue. Interest rates were significantly lowered and bond principal payment schedule was modified, and as a result, there will be a significant reduction in future debt service payments. As part of this refinancing, over \$2 million in bond proceeds were put in escrow with a trustee for future bond redemptions. These escrow funds are included in the audit report, resulting in an ending fund balance that is skewed significantly higher. Wherever possible, this management discussion and analysis report will separate out the escrow funds in an effort to portray a more accurate picture of the financial condition of the City.

When the escrow funds are not included, revenues of the City increased by about 4.4% compared to the previous year. Disbursements of the City decreased by about 6.9% compared to the previous year.

### **Using This Annual Report**

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

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

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

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

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

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

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

## **Basis of Accounting**

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

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

### Government-wide Financial Statement

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property taxes and user fees finance most of these activities, with bond issue proceeds and state and federal grants financing capital improvement projects.
- Business Type Activities include the sanitary sewer system. This activity is financed primarily by user charges.

### Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: (1) the General Fund, (2) the Special Revenue Funds, such as Road Use Tax and Trust and Agency, (3) the TIF Special Revenue Funds, which include the tax increment financing funds, (4) the Debt Service Fund, and (5) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

2. Proprietary funds account for the City's Enterprise Fund. Enterprise Funds are used to report business type activities. The City Enterprise Fund provides separate information for the Sanitary Sewer Utility Fund, considered to be a major fund of the City and the Garbage Fund. In addition, the City provides payroll accounting and reporting for the Winterset Municipal Utilities, and these expenditures and subsequent reimbursements are included with the proprietary funds.

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

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

### Government-Wide Financial Analysis

The City's cash balance for governmental activities was about \$3,908,000, which included about \$3,015,000 held in escrow for future bond refinancing.

The proprietary funds also saw an increase in ending fund balance, increasing about \$38,000 to about \$477,000. The analysis that follows focuses on the cash basis net assets for FY 2011 as compared to the previous year for the governmental funds.

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

	Year Ended June 30,	
	2011	2010
<b>RECEIPTS AND TRANSFERS:</b>		
Property tax	\$ 2,209	\$ 2,135
TIF revenue	1,103	1,003
Other City taxes	356	309
License and permits	39	22
Use of money and property	16	17
Intergovernmental	974	781
Charges for service	206	208
Special assessments	177	821
Miscellaneous	144	168
Sale of assets	3	3
Bond proceeds/net transfers	346	3,965
<b>TOTAL RECEIPTS AND TRANSFERS</b>	<b>\$ 5,573</b>	<b>\$ 9,432</b>

	<u>Year Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
EXPENDITURES AND TRANSFERS OUT:		
Public safety	\$ 877	\$ 831
Public works	564	507
Health and social services	4	4
Culture and recreation	1,008	1,003
Community and economic development	336	301
General government	407	396
Debt service	2,440	1,920
Capital projects	188	1,299
Business type activities	<u>---</u>	<u>---</u>
TOTAL DISBURSEMENTS	<u>\$ 5,824</u>	<u>\$ 6,261</u>
Increase (decrease) in cash basis net assets	\$ (251)	\$ 3,171
Cash basis net assets, beginning of year	<u>4,159</u>	<u>988</u>
Cash basis net assets, end of year	<u>\$ 3,908</u>	<u>\$ 4,159</u>

The analysis that follows focuses on the cash basis net assets for FY 2011 as compared to the previous year for the proprietary enterprise funds.

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

	<u>Year Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
RECEIPTS:		
Use of money and property	\$ 2	\$ 4
Charges for service	1,395	1,386
Utility reimbursements	1,071	1,006
Bond proceeds	<u>107</u>	<u>121</u>
TOTAL RECEIPTS	<u>\$ 2,575</u>	<u>\$ 2,517</u>
EXPENDITURES		
Sewer operations	\$ 447	\$ 420
Capital projects	188	187
Sewer debt service	448	456
Garbage operations	251	243
Utility payroll reimbursements	1,071	1,006
Transfers out	<u>132</u>	<u>131</u>
TOTAL DISBURSEMENTS	<u>\$ 2,537</u>	<u>\$ 2,443</u>
Increase/decrease in cash basis net assets	\$ 38	\$ 74
Cash basis net assets, beginning of year	<u>439</u>	<u>365</u>
Cash basis net assets, end of year	<u>\$ 477</u>	<u>\$ 439</u>

## **Individual Major Governmental Fund Analysis**

As the City of Winterset completed the year, its governmental funds reported a combined fund balance of \$3,908,000 which includes about \$3,015,000 held by a trustee in escrow for future bond refinancing. When the escrow funds are factored out, the City had a combined fund balance of \$893,000 in its governmental funds. The enterprise fund balances were \$477,000.

Within the governmental funds, the various funds of the City were affected differently. The General Fund experienced a slight decrease of \$11,000 from the prior year for an ending cash balance of \$230,000.

The various funds that make up the special revenue funds decrease in ending cash balance by about \$75,000 during the fiscal year. Special revenue funds include the Road Use Tax Fund, the Trust and Agency Fund, and the Local Option Sales Tax Fund. The decrease is attributed to a cash payment of \$166,000 from the Local Option Sales Tax Fund as part of the 2011 Refunding Bond Issue.

The TIF special revenue funds ending balance decreased by \$45,000. This decrease is attributed to TIF districts that are being finalized, and the TIF fund balances for that TIF district being reduced.

The Debt Service fund cash balance was over \$3,226,000 but this included \$3,015,000 held in escrow by a trustee for future bond refinancing.

The Sewer Utility Fund cash balance increased by about \$44,000 during this fiscal year.

The Garbage Fund balance showed an increase of about \$3,500.

## **Budgetary Highlights**

The disbursement and expenditures of the City of Winterset are controlled by the annual budget adopted by the City Council. The original budget for FY 2011 was approved by the City Council on March 1, 2010, and later amended on May 2, 2011. Most of the budget amendment was necessary because of transactions related to the bond refinancing.

## **Debt Administration**

The City's total debt decreased from June 30, 2010 to June 30, 2011, as shown below:

Outstanding Debt at Year End  
(Expressed in Thousands)

	<u>Year Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
General obligation bonds/notes	\$11,355	\$10,690
Urban renewal tax increment financing revenue bonds	60	1,995
Sewer revenue bonds	1,848	2,116
Special assessment bonds	645	780
Local option sales tax bond	<u>2,155</u>	<u>2,270</u>
Total debt	<u>\$16,063</u>	<u>\$17,851</u>

The June 30, 2011 figure includes \$3,015,000 bond proceeds held in escrow by a trustee for future bond redemption over the next two years. The escrow funds will be fully disbursed on August 1, 2012.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. General obligation debt and tax increment financing debt is subjected to the debt limit. The constitutional debt limit as of June 30, 2011 was \$13,526,249. The City's combined general obligation and tax increment financing debt, not including funds held in escrow, total \$7,675,000. During future years, the bond payment schedules provide for \$650,000 to \$1,000,000 in bonds to be retired, which will help restore debt capacity.

**Economic Factors and Next Year's Budget and Rates**

The City of Winterset's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011-12 budget, tax rates, and fees that will be charged for various City activities. For the entire budget, appropriations are decreased by about 3.7%. Property tax revenues are projected to increase by 4.3%, even though tax rates will decrease by 1.3%. Taxable property valuations increased by 6.8% for FY 2012. Part of the increase in taxable valuations can be attributed to a shift of valuations out of TIF districts. The debt paid from the West Court TIF district was paid off in FY 2010-11, and the debt from the West End TIF district will be paid off in FY 2011-12. As a result, taxable valuation will be shifted out of the TIF districts into regular taxable valuation.

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

### **Contacting the City's Financial Management**

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

## FINANCIAL STATEMENTS

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

Exhibit A

FUNCTIONS/PROGRAMS:	Disbursements	PROGRAM RECEIPTS		
		Charges For Services	Operating Grants Contributions, and Restricted Interest	Capital Grants Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 876,819	\$ 49,398	\$ 88,556	\$ -
Public works	563,546	310	493,183	-
Health and social services	4,500	-	-	-
Culture and recreation	1,007,845	292,943	10,578	-
Community/economic development	336,201	-	-	-
General government	406,996	13,783	-	-
Debt service	4,864,758	-	11,663	-
Capital projects	188,208	-	-	139,425
Business type activities	-	-	-	-
Total governmental activities	\$ 8,248,873	\$ 356,434	\$ 603,980	\$ 139,425
Business type activities:				
Sewer	\$ 1,082,810	\$ 1,140,309	\$ 2,206	\$ -
Garbage	251,214	254,735	-	-
Utility reimbursement	1,070,995	-	-	-
Total business type activities	\$ 2,405,019	\$ 1,395,044	\$ 2,206	\$ -
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 10,653,892</b>	<b>\$ 1,751,478</b>	<b>\$ 606,186</b>	<b>\$ 139,425</b>
COMPONENT UNIT:				
Friends of the Library	\$ 59,350	\$ -	\$ 58,552	\$ -
GENERAL RECEIPTS:				
Property taxes levied for:				
General purposes				
Tax incremental financing				
Employee benefits				
Debt service				
Hotel/motel sales tax				
Payment in lieu of taxes				
Local option sales tax				
Interest on investments				
Bond/note/warrants proceeds				
Miscellaneous				
Sale of assets				
Transfers				
<b>TOTAL GENERAL RECEIPTS</b>				
<b>CHANGE IN CASH BASIS NET ASSETS</b>				
<b>CASH BASIS NET ASSETS, BEGINNING OF YEAR</b>				
<b>CASH BASIS NET ASSETS, END OF YEAR</b>				
<b>CASH BASIS NET ASSETS:</b>				
Restricted:				
Expendable:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
<b>TOTAL CASH BASIS NET ASSETS</b>				

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

NET (DISBURSEMENTS) RECEIPTS AND CHANGES IN CASH BASIS NET ASSETS			COMPONENT UNIT
Governmental Activities	Business Type Activities	Total	Friends of the Library
\$ (738,865)	\$ -	\$ (738,865)	\$ -
(70,053)	-	(70,053)	-
(4,500)	-	(4,500)	-
(704,324)	-	(704,324)	-
(336,201)	-	(336,201)	-
(393,213)	-	(393,213)	-
(4,853,095)	-	(4,853,095)	-
(48,783)	-	(48,783)	-
-	-	-	-
<u>\$ (7,149,034)</u>	<u>\$ -</u>	<u>\$ (7,149,034)</u>	<u>\$ -</u>
\$ -	\$ 59,705	\$ 59,705	\$ -
-	3,521	3,521	-
-	(1,070,995)	(1,070,995)	-
<u>\$ -</u>	<u>\$ (1,007,769)</u>	<u>\$ (1,007,769)</u>	<u>\$ -</u>
\$ (7,149,034)	\$ (1,007,769)	\$ (8,156,803)	\$ -
\$ -	\$ -	\$ -	\$ (798)
\$ 1,246,200	\$ -	\$ 1,246,200	\$ -
1,103,473	-	1,103,473	-
481,041	-	481,041	-
654,823	-	654,823	-
26,897	-	26,897	-
204,000	-	204,000	-
328,939	-	328,939	-
4,668	-	4,668	-
2,638,948	106,409	2,745,357	-
73,764	1,071,195	1,144,959	-
3,295	-	3,295	-
132,077	(132,077)	-	-
<u>\$ 6,898,125</u>	<u>\$ 1,045,527</u>	<u>\$ 7,943,652</u>	<u>\$ -</u>
\$ (250,909)	\$ 37,758	\$ (213,151)	\$ (798)
4,159,151	439,530	4,598,681	938,258
<u>\$ 3,908,242</u>	<u>\$ 477,288</u>	<u>\$ 4,385,530</u>	<u>\$ 937,460</u>
\$ 96,389	\$ -	\$ 96,389	
51,829	-	51,829	
3,226,428	355,223	3,581,651	
304,012	106,163	410,175	
229,584	15,902	245,486	
<u>\$ 3,908,242</u>	<u>\$ 477,288</u>	<u>\$ 4,385,530</u>	

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

Exhibit B

	General	SPECIAL REVENUE	
		Road Use Tax	Employee Benefits
<b>RECEIPTS:</b>			
Property taxes	\$ 1,246,200	\$ -	\$ 481,041
Tax increment financing collections	-	-	-
Other city taxes	26,897	-	-
Licenses and permits	39,302	-	-
Use of money and property	4,378	-	-
Intergovernmental	346,569	493,183	-
Charges for service	206,378	-	-
Special assessments	-	-	-
Miscellaneous	125,879	-	-
Total receipts	\$ 1,995,603	\$ 493,183	\$ 481,041
<b>DISBURSEMENTS:</b>			
Operating:			
Public safety	\$ 668,439	\$ -	\$ 208,366
Public works	34,991	424,864	103,691
Health and social services	4,500	-	-
Culture and recreation	840,884	-	165,051
Community/economic development	58,242	-	-
General government	356,872	-	50,124
Debt service	-	-	-
Capital projects	-	-	-
Business type activities	-	-	-
Total disbursements	\$ 1,963,928	\$ 424,864	\$ 527,232
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>\$ 31,675</b>	<b>\$ 68,319</b>	<b>\$ (46,191)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Sale of capital assets	\$ 3,295	\$ -	\$ -
Bond proceeds, net	-	-	-
Debt redeemed	-	-	-
Operating transfers in	-	-	30,000
Operating transfers out	(46,093)	(30,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ (42,798)</b>	<b>\$ (30,000)</b>	<b>\$ 30,000</b>
<b>NET CHANGE IN CASH BALANCES</b>	<b>\$ (11,123)</b>	<b>\$ 38,319</b>	<b>\$ (16,191)</b>
<b>CASH BALANCES, BEGINNING OF YEAR</b>	<b>240,707</b>	<b>58,070</b>	<b>48,647</b>
<b>CASH BALANCES, END OF YEAR</b>	<b>\$ 229,584</b>	<b>\$ 96,389</b>	<b>\$ 32,456</b>
<b>CASH BASIS FUND BALANCES:</b>			
Restricted for:			
Urban renewal purposes	\$ -	\$ -	\$ -
Debt service	-	-	-
Street	-	96,389	-
Other purposes	-	-	32,456
Unassigned	229,584	-	-
<b>TOTAL CASH BASIS FUND BALANCES</b>	<b>\$ 229,584</b>	<b>\$ 96,389</b>	<b>\$ 32,456</b>

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

SPECIAL REVENUE

<u>Urban Renewal Tax Increment</u>	<u>Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
\$ -	\$ 481,399	\$ -	\$ 2,208,640
1,103,473	-	-	1,103,473
-	-	328,939	355,836
-	-	-	39,302
-	11,662	290	16,330
-	-	133,742	973,494
-	-	-	206,378
-	173,425	3,283	176,708
-	11,808	5,796	143,483
<u>\$ 1,103,473</u>	<u>\$ 678,294</u>	<u>\$ 472,050</u>	<u>\$ 5,223,644</u>
\$ -	\$ -	\$ 14	\$ 876,819
-	-	-	563,546
-	-	-	4,500
-	-	1,910	1,007,845
237,359	-	40,600	336,201
-	-	-	406,996
135,675	2,304,083	-	2,439,758
-	-	188,208	188,208
-	-	-	-
<u>\$ 373,034</u>	<u>\$ 2,304,083</u>	<u>\$ 230,732</u>	<u>\$ 5,823,873</u>
<u>\$ 730,439</u>	<u>\$ (1,625,789)</u>	<u>\$ 241,318</u>	<u>\$ (600,229)</u>
\$ -	\$ -	\$ -	\$ 3,295
-	2,638,948	-	2,638,948
-	(2,425,000)	-	(2,425,000)
-	1,318,995	135,854	1,484,849
(775,109)	-	(501,570)	(1,352,772)
<u>\$ (775,109)</u>	<u>\$ 1,532,943</u>	<u>\$ (365,716)</u>	<u>\$ 349,320</u>
\$ (44,670)	\$ (92,846)	\$ (124,398)	\$ (250,909)
96,499	3,319,274	395,954	4,159,151
<u>\$ 51,829</u>	<u>\$ 3,226,428</u>	<u>\$ 271,556</u>	<u>\$ 3,908,242</u>
\$ 51,829	\$ -	\$ -	\$ 51,829
-	3,226,428	-	3,226,428
-	-	-	96,389
-	-	271,556	304,012
-	-	-	229,584
<u>\$ 51,829</u>	<u>\$ 3,226,428</u>	<u>\$ 271,556</u>	<u>\$ 3,908,242</u>

CITY OF WINTERSET, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES  
PROPRIETARY FUND

As of and for the Year Ended June 30, 2011

Exhibit C

	Enterprise			Total
	Sewer	Garbage	Utility Reimbursement	
OPERATING RECEIPTS:				
Use of money and property	\$ 2,206	\$ -	\$ -	\$ 2,206
Charge for service	1,140,309	254,735	-	1,395,044
Miscellaneous	200	-	1,070,995	1,071,195
Total operating receipts	<u>\$ 1,142,715</u>	<u>\$ 254,735</u>	<u>\$ 1,070,995</u>	<u>\$ 2,468,445</u>
OPERATING DISBURSEMENTS:				
Business type activities	<u>\$ 1,082,810</u>	<u>\$ 251,214</u>	<u>\$ 1,070,995</u>	<u>\$ 2,405,019</u>
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS (OVER) UNDER OPERATING DISBURSEMENTS	<u>\$ 59,905</u>	<u>\$ 3,521</u>	<u>\$ -</u>	<u>\$ 63,426</u>
OTHER FINANCING SOURCES (USES):				
Bond proceeds, net	\$ 106,409	\$ -	\$ -	\$ 106,409
Transfers out	<u>(132,077)</u>	<u>-</u>	<u>-</u>	<u>(132,077)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (25,668)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (25,668)</u>
NET CHANGE IN CASH BALANCES	\$ 34,237	\$ 3,521	\$ -	\$ 37,758
CASH BALANCES, BEGINNING OF YEAR	<u>441,636</u>	<u>(2,106)</u>	<u>-</u>	<u>439,530</u>
CASH BALANCES, END OF YEAR	<u><u>\$ 475,873</u></u>	<u><u>\$ 1,415</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 477,288</u></u>
CASH BASIS FUND BALANCES:				
Reserved for debt service/maintenance	\$ 461,386	\$ -	\$ -	\$ 461,386
Unreserved	<u>14,487</u>	<u>1,415</u>	<u>-</u>	<u>15,902</u>
Total cash basis fund balances	<u><u>\$ 475,873</u></u>	<u><u>\$ 1,415</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 477,288</u></u>

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

CITY OF WINTERSET, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

Note 1. Summary of Significant Accounting Policies

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

Reporting Entity

For financial reporting purposes, the City of Winterset has included all funds, organizations, agencies, boards, commissions and authorities, except for its component unit, the Winterset Municipal Utilities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's primary government financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

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

Component Unit

The Winterset Municipal Utilities is a component unit of the City of Winterset and is not presented in these primary government financial statements. It is legally separate from the City, but is financially accountable to the City. The Utilities is governed by a three-member board appointed by the City Council and the Utilities' operating budget is subject to the approval of the City Council. It has not been included in these government financial statements. Complete financial statements of the individual component unit, which issued separate financial statements, can be obtained from its administrative office.

CITY OF WINTERSET, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

Discretely Presented Component Unit

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

Jointly Governed Organizations

The City participates in a few jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commission: County Emergency Management Commission, Central Iowa Regional Transportation Planning Alliance Board, and the Fire Mutual Aid Executive Board.

The City also participates in a joint venture. The City has an official that is a member of the South Central Iowa Landfill Agency Board. The City has an ongoing financial responsibility. (See Note 8)

Basis of Presentation

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

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

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

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

CITY OF WINTERSET, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

Debt Service:

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

CITY OF WINTERSET, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

Capital Projects:

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

The City reports the following major proprietary funds:

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

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

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

Measurement Focus and Basis of Accounting

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

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

Budgets and Budgetary Accounting

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

CITY OF WINTERSET, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

Note 2. Cash and Pooled Investments

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; and certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

Note 3. Bonds and Notes Payable

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

Year Ending <u>June 30,</u>	General Obligation Bonds	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 1,285,000	\$ 433,179
2013	1,385,000	407,366
2014	1,405,000	371,747
2015	1,460,000	334,280
2016	1,740,000	292,000
2017-2021	4,920,000	689,140
2022-2025	<u>1,315,000</u>	<u>112,881</u>
TOTAL	<u>\$13,510,000</u>	<u>\$2,640,593</u>

CITY OF WINTERSET, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

Note 3. Bonds and Notes Payable (continued)

Year Ending June 30,	Sewer Revenue Notes		Special Assessment Capital Loan	
	Principal	Interest	Principal	Interest
2012	\$ 330,000	\$ 41,948	\$ 45,000	\$ 8,885
2013	340,000	29,573	45,000	6,650
2014	65,000	16,313	30,000	4,790
2015	65,000	13,290	30,000	3,000
2016	70,000	10,268	20,000	1,180
2017-2021	150,000	10,538	---	---
2022-2025	---	---	---	---
<b>TOTAL</b>	<b><u>\$1,020,000</u></b>	<b><u>\$ 121,930</u></b>	<b><u>\$ 170,000</u></b>	<b><u>\$ 24,505</u></b>

Year Ending June 30,	Special Assessment Bonds		Urban Renewal Tax Increment Financing Revenue Bonds		
	Principal	Interest	Principal	Interest	
2012	\$ 90,000	\$ 20,720	\$ 60,000	\$ 4,763	
2013	90,000	16,945	---	---	
2014	95,000	13,105	---	---	
2015	95,000	8,990	---	---	
2016	50,000	4,805	---	---	
2017-2021	55,000	2,530	---	---	
2022-2025	---	---	---	---	---
<b>TOTAL</b>	<b><u>\$ 475,000</u></b>	<b><u>\$ 67,095</u></b>	<b><u>\$ 60,000</u></b>	<b><u>\$ 4,763</u></b>	<b><u>---</u></b>

Year Ending June 30,	State Revolving Loans		Other Debt	
	Principal	Interest	Principal	Interest
2012	\$ 57,000	\$ 18,030	\$101,887	\$ 5,493
2013	286,465	16,320	98,346	3,094
2014	62,000	14,550	79,906	1,271
2015	64,000	12,690	50,000	---
2016	67,000	10,770	50,000	---
2017-2021	292,000	22,290	50,000	---
2022-2025	---	---	---	---
<b>TOTAL</b>	<b><u>\$ 828,465</u></b>	<b><u>\$ 94,650</u></b>	<b><u>\$ 430,139</u></b>	<b><u>\$ 9,858</u></b>

CITY OF WINTERSET, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

Note 3. Bonds and Notes Payable (continued)

Year Ending	Total	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 1,968,887	\$ 533,018
2013	2,244,811	479,948
2014	1,736,906	421,776
2015	1,764,000	372,250
2016	1,997,000	319,023
2017-2021	5,467,000	724,498
2022-2025	<u>1,315,000</u>	<u>112,881</u>
TOTAL	<u>\$16,493,604</u>	<u>\$2,963,394</u>

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

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

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to the sewer revenue bond sinking account for the purpose of making the note principal and interest payments when due.

CITY OF WINTERSET, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

Note 4. Pension and Retirement Benefits

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

Plan members are required to contribute 4.50% of their annual salary and the City is required to contribute 6.95%. 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 was \$151,152, \$142,530, and \$134,069 respectively, equal to the required contributions for each year.

Note 5. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave, compensatory and personal hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. Sick leave is only paid out at retirement and is limited to twenty-five percent of the employee's accrual. The City's approximate liability for earned compensated absences payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 65,795
Sick leave	<u>82,465</u>
Total	<u>\$148,260</u>

This liability has been computed based on rates of pay as of June 30, 2011.

CITY OF WINTERSET, IOWA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2011

Note 6. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt service	General	\$ 46,093
	Special revenue:	
	Tax increment financing	691,987
	Local option tax	448,838
	Enterprise:	
	Sewer	<u>132,077</u>
		<u>\$1,318,995</u>
Special revenue:		
LMI grant fund	Special revenue:	
	Tax increment financing	<u>\$ 83,122</u>
Employee benefits	Special revenue:	
	Road use	<u>\$ 30,000</u>
Housing project	Special revenue:	
	LMI grant fund	<u>\$ 20,050</u>
Capital projects:		
Sewer improvement Project	Capital projects:	
	Paving project	<u>\$ 4,246</u>
Sidewalk project	Capital projects:	
	Paving project	<u>\$ 28,436</u>
Total		<u>\$1,484,849</u>

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

CITY OF WINTERSET, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

Note 7. Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 8. South Central Iowa Landfill Agency

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

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

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

Note 9. Capital Leases

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

CITY OF WINTERSET, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

Note 9. Capital Leases (continued)

	Year Ended June 30,	
Total future minimum lease payments:	2012	\$ 31,177
	2013	31,177
	2014	<u>31,176</u>
		\$ 93,530
Less amount representing interest		<u>(7,421)</u>
Present value of future minimum lease Payments		<u>\$ 86,109</u>

On November 20, 2006, the City entered into a lease purchase agreement for a sewer lift station with Zuendel Investments, Inc. The City is to make annual payment of \$50,000 through March 1, 2017. The future minimum lease payment under the capital lease and the net present value of the future minimum lease payments are as follows:

	Year Ended June 30,	
Total future minimum lease payments:	2012	\$ 50,000
	2013	50,000
	2014	50,000
	2015	50,000
	2016	50,000
	2017	<u>50,000</u>
		\$ 300,000
Less amount representing interest		<u>---</u>
Present value of future minimum lease Payments		<u>\$ 300,000</u>

On December 26, 2006, the City entered into a lease purchase agreement for a fire truck with BB Community Leasing Services, Inc. The City is to make annual payment of \$26,203 through March 1, 2013. The future minimum lease payment under the capital lease and the net present value of the future minimum lease payments are as follows:

CITY OF WINTERSET, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

Note 9. Capital Leases (continued)

	Year Ended June 30,		
Total future minimum lease payments:	2012	\$	26,203
	2013		<u>20,263</u>
		\$	46,466
Less amount representing interest			<u>(2,437)</u>
Present value of future minimum lease Payments		\$	<u><u>44,029</u></u>

Note 10. Litigation

The City is a party to pending litigation action. This action is being defended by the City's insurance carrier and any resulting damages or losses that may come from the action will be covered by the City's insurance policy.

Note 11. Subsequent Events

In August, 2011, the City approved a contract for a wastewater collection system project for \$1,725,839.

Management has evaluated subsequent events through December 15, 2011, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental Funds Actual	Proprietary Funds Actual	Net
<b>RECEIPTS:</b>			
Property tax	\$ 2,208,640	\$ -	\$ 2,208,640
Tax increment financing collections	1,103,473	-	1,103,473
Other city tax	355,836	-	355,836
Licenses and permits	39,302	-	39,302
Use of money and property	16,330	2,206	18,536
Intergovernmental	973,494	-	973,494
Charges for service	206,378	1,395,044	1,601,422
Special assessments	176,708	-	176,708
Miscellaneous	143,483	1,071,195	1,214,678
<b>TOTAL RECEIPTS</b>	<b>\$ 5,223,644</b>	<b>\$ 2,468,445</b>	<b>\$ 7,692,089</b>
<b>DISBURSEMENTS:</b>			
Public safety	\$ 876,819	\$ -	\$ 876,819
Public works	563,546	-	563,546
Health and social services	4,500	-	4,500
Culture and recreation	1,007,845	-	1,007,845
Community and economic development	336,201	-	336,201
General government	406,996	-	406,996
Debt service	2,439,758	-	2,439,758
Capital projects	188,208	-	188,208
Business type activities	-	2,405,019	2,405,019
<b>TOTAL DISBURSEMENTS</b>	<b>\$ 5,823,873</b>	<b>\$ 2,405,019</b>	<b>\$ 8,228,892</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>\$ (600,229)</b>	<b>\$ 63,426</b>	<b>\$ (536,803)</b>
<b>OTHER FINANCING SOURCES, NET</b>	<b>349,320</b>	<b>(25,668)</b>	<b>323,652</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES</b>	<b>\$ (250,909)</b>	<b>\$ 37,758</b>	<b>\$ (213,151)</b>
<b>BALANCE, BEGINNING OF YEAR</b>	<b>4,159,151</b>	<b>439,530</b>	<b>4,598,681</b>
<b>BALANCE, END OF YEAR</b>	<b>\$ 3,908,242</b>	<b>\$ 477,288</b>	<b>\$ 4,385,530</b>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
\$ 2,144,806	\$ 2,144,806	\$ 63,834
1,099,411	1,099,411	4,062
351,908	351,908	3,928
28,750	28,750	10,552
24,000	24,000	(5,464)
1,104,042	1,104,042	(130,548)
1,685,750	1,685,750	(84,328)
180,000	180,000	(3,292)
1,293,414	1,293,414	(78,736)
<u>\$ 7,912,081</u>	<u>\$ 7,912,081</u>	<u>\$ (219,992)</u>
\$ 857,910	\$ 877,910	\$ 1,091
538,996	573,846	10,300
4,500	10,500	6,000
1,026,952	1,036,952	29,107
335,410	342,410	6,209
385,565	407,565	569
1,957,073	4,516,398	2,076,640
390,000	390,000	201,792
2,535,354	2,535,354	130,335
<u>\$ 8,031,760</u>	<u>\$ 10,690,935</u>	<u>\$ 2,462,043</u>
\$ (119,679)	\$ (2,778,854)	\$ 2,242,051
100,000	(365,290)	688,942
\$ (19,679)	\$ (3,144,144)	<u>\$ 2,930,993</u>
1,622,634	4,598,661	
<u>\$ 1,602,955</u>	<u>\$ 1,454,517</u>	

CITY OF WINTERSET, IOWA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
June 30, 2011

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

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,659,175. The budget amendment is reflected in the final budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

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

Schedule 1

	Special Revenue				
	Local Option Tax	LMI Grant Fund	Housing Project	Park and Recreation Improvement Project	Police Special Projects
RECEIPTS:					
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increment financing collections	-	-	-	-	-
Other city tax	328,939	-	-	-	-
Licenses and permits	-	-	-	-	-
Uses of money and property	290	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Special assessments	-	-	-	-	-
Miscellaneous	-	-	-	2,013	141
<b>TOTAL RECEIPTS</b>	<b>\$ 329,229</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,013</b>	<b>\$ 141</b>
DISBURSEMENTS:					
Operating:					
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 14
Public works	-	-	-	-	-
Health and social services	-	-	-	-	-
Culture and recreation	-	-	-	1,910	-
Community and economic development	-	33,651	6,949	-	-
General government	-	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
<b>TOTAL DISBURSEMENTS</b>	<b>\$ -</b>	<b>\$ 33,651</b>	<b>\$ 6,949</b>	<b>\$ 1,910</b>	<b>\$ 14</b>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<b>\$ 329,229</b>	<b>\$ (33,651)</b>	<b>\$ (6,949)</b>	<b>\$ 103</b>	<b>\$ 127</b>
OTHER FINANCING SOURCES (USES):					
Sale of capital assets	\$ -	\$ -	\$ -	\$ -	\$ -
Bond proceeds, net	-	-	-	-	-
Anticipatory notes issued	-	-	-	-	-
Anticipatory notes redeemed	-	-	-	-	-
Operating transfers in	-	83,122	-	-	-
Operating transfers out	(448,838)	(20,050)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ (448,838)</b>	<b>\$ 63,072</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See accompanying independent auditor's report.

Capital Projects

Sidewalk Project	Paving Project	Housing Project	Downtown Improvement Project	Sewer Improvement Project	Park Improvement Project	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	328,939
-	-	-	-	-	-	-
-	-	-	-	-	-	290
-	-	133,742	-	-	-	133,742
-	-	-	-	-	-	-
3,283	-	-	-	-	-	3,283
1,242	-	-	-	-	2,400	5,796
<u>\$ 4,525</u>	<u>\$ -</u>	<u>\$ 133,742</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,400</u>	<u>\$ 472,050</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	1,910
-	-	-	-	-	-	40,600
-	-	-	-	-	-	-
-	-	-	-	-	-	-
15,838	-	153,742	794	17,834	-	188,208
<u>\$ 15,838</u>	<u>\$ -</u>	<u>\$ 153,742</u>	<u>\$ 794</u>	<u>\$ 17,834</u>	<u>\$ -</u>	<u>\$ 230,732</u>
<u>\$ (11,313)</u>	<u>\$ -</u>	<u>\$ (20,000)</u>	<u>\$ (794)</u>	<u>\$ (17,834)</u>	<u>\$ 2,400</u>	<u>\$ 241,318</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
28,436	-	20,050	-	4,246	-	135,854
-	(32,682)	-	-	-	-	(501,570)
<u>\$ 28,436</u>	<u>\$ (32,682)</u>	<u>\$ 20,050</u>	<u>\$ -</u>	<u>\$ 4,246</u>	<u>\$ -</u>	<u>\$ (365,716)</u>

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

Schedule 1  
(Continued)

	Special Revenue				
	Local Option Tax	LMI Grant Fund	Housing Project	Park and Recreation Improvement Project	Police Special Projects
NET CHANGE IN CASH BALANCE	\$ (119,609)	\$ 29,421	\$ (6,949)	\$ 103	\$ 127
CASH BALANCES, BEGINNING OF YEAR	<u>154,970</u>	<u>153,351</u>	<u>19,273</u>	<u>9,613</u>	<u>2,147</u>
CASH BALANCES, END OF YEAR	<u>\$ 35,361</u>	<u>\$ 182,772</u>	<u>\$ 12,324</u>	<u>\$ 9,716</u>	<u>\$ 2,274</u>
CASH BASIS FUND BALANCES:					
Restricted for:					
Other purposes	\$ 35,361	\$ 182,772	\$ 12,324	\$ 9,716	\$ 2,274
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$ 35,361</u>	<u>\$ 182,772</u>	<u>\$ 12,324</u>	<u>\$ 9,716</u>	<u>\$ 2,274</u>

See accompanying independent auditor's report.

Capital Projects

Sidewalk Project	Paving Project	Housing Project	Downtown Improvement Project	Sewer Improvement Project	Park Improvement Project	Total
\$ 17,123	\$ (32,682)	\$ 50	\$ (794)	\$ (13,588)	\$ 2,400	\$ (124,398)
<u>(411)</u>	<u>32,682</u>	<u>(50)</u>	<u>1,003</u>	<u>13,588</u>	<u>9,788</u>	<u>395,954</u>
<u>\$ 16,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 209</u>	<u>\$ -</u>	<u>\$ 12,188</u>	<u>\$ 271,556</u>
\$ 16,712	\$ -	\$ -	\$ 209	\$ -	\$ 12,188	\$ 271,556
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 16,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 209</u>	<u>\$ -</u>	<u>\$ 12,188</u>	<u>\$ 271,556</u>

CITY OF WINTERSET, IOWA  
 SCHEDULE OF INDEBTEDNESS  
 Year Ended June 30, 2011

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount Originally Issued</u>
Schedule 2			
General obligation bonds:			
Airport improvement	December 1, 1998	5.50-6.75%	\$ 375,000
Local option sales tax	December 15, 2004	2.45-4.95%	2,700,000
Corporate purpose and refunding	June 1, 2005	2.95-4.00%	1,585,000
General corporate purpose	June 15, 2006	3.95-4.40%	825,000
Street improvements	June 15, 2007	4.15-4.80%	1,810,000
Street improvements	June 15, 2008	4.00-4.35%	900,000
Annual appropriations park improvement	June 15, 2008	3.75%	320,000
Street improvements	October 15, 2008	3.00-4.70%	1,420,000
Corporate purpose and refunding	April 8, 2010	.50-3.60%	4,885,000
Corporate purpose and refunding	June 23, 2011	.65-3.45%	2,685,000
Total			
Special assessment capital loan notes:			
Street improvements	April 1, 2000	5.20-6.60%	\$ 84,000
Paving project	May 1, 2001	4.50-5.90%	255,000
Street improvements	May 1, 2003	1.50-4.20%	188,000
Total			
Special assessment bonds:			
Street improvements	June 1, 2005	2.90-4.30%	\$ 406,000
Street improvements	June 15, 2007	4.25-4.60%	505,000
Revenue bonds:			
Urban renewal tax increment	October 31, 1997	8.25%	\$ 250,000
Urban renewal tax increment	December 28, 1999	6.50%	200,000
Urban renewal tax increment	December 28, 1999	8.00%	170,000
Urban renewal tax increment	October 2, 2000	7.50%	160,000
Urban renewal tax increment	December 1, 2000	5.15-5.90%	2,400,000
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 135,000	\$ -	\$ 30,000	\$ 105,000	\$ 8,950	\$ -
2,270,000	-	115,000	2,155,000	95,358	-
1,095,000	-	1,095,000	-	41,687	-
800,000	-	25,000	775,000	34,135	-
1,515,000	-	160,000	1,355,000	65,188	-
885,000	-	15,000	870,000	36,358	-
320,000	-	60,000	260,000	10,875	-
1,395,000	-	25,000	1,370,000	61,798	-
4,545,000	-	610,000	3,935,000	92,943	-
-	2,685,000	-	2,685,000	-	-
<u>\$ 12,960,000</u>	<u>\$ 2,685,000</u>	<u>\$ 2,135,000</u>	<u>\$ 13,510,000</u>	<u>\$ 447,292</u>	<u>\$ -</u>
\$ 35,000	\$ -	\$ 5,000	\$ 30,000	\$ 2,255	\$ -
120,000	-	20,000	100,000	6,780	-
60,000	-	20,000	40,000	2,400	-
<u>\$ 215,000</u>	<u>\$ -</u>	<u>\$ 45,000</u>	<u>\$ 170,000</u>	<u>\$ 11,435</u>	<u>\$ -</u>
\$ 210,000	\$ -	\$ 40,000	\$ 170,000	\$ 8,625	\$ -
355,000	-	50,000	305,000	15,805	-
<u>\$ 565,000</u>	<u>\$ -</u>	<u>\$ 90,000</u>	<u>\$ 475,000</u>	<u>\$ 24,430</u>	<u>\$ -</u>
\$ 70,000	\$ -	\$ 35,000	\$ 35,000	\$ 5,775	\$ -
30,000	-	30,000	-	1,950	-
30,000	-	30,000	-	2,400	-
50,000	-	25,000	25,000	3,750	-
1,815,000	-	1,815,000	-	105,400	-
<u>\$ 1,995,000</u>	<u>\$ -</u>	<u>\$ 1,935,000</u>	<u>\$ 60,000</u>	<u>\$ 119,275</u>	<u>\$ -</u>

CITY OF WINTERSET, IOWA  
SCHEDULE OF INDEBTEDNESS  
Year Ended June 30, 2011

Schedule 2  
(continued)

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount Originally Issued</u>
Revenue notes:			
Sewer refunding	May 1, 2003	2.25-3.90%	\$ 2,455,000
Sewer improvements	June 15, 2007	4.65-4.70%	350,000
State revolving loans:			
Sewer refund bonds, Series 2000A	January 17, 2000	3.00%	\$ 225,951
Sewer refund bonds, Series 2000B	January 17, 2000	3.00%	874,049
Sewer bonds, Series 2009	July 15, 2009	0.00%	170,000
Total			
Other debt:			
Equipment lease/purchase	June 21, 2005	4.25%	\$ 207,293
Equipment lease/purchase	December 26, 2006	4.868, 5.252%	136,146
Lift station lease/purchase	November 20, 2006	0.00%	500,000

See accompanying independent auditor's report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 990,000	\$ -	\$ 320,000	\$ 670,000	\$ 37,155	\$ -
350,000	-	-	350,000	16,313	-
<u>\$ 1,340,000</u>	<u>\$ -</u>	<u>\$ 320,000</u>	<u>\$ 1,020,000</u>	<u>\$ 53,468</u>	<u>\$ -</u>
\$ 135,000	\$ -	\$ 11,000	\$ 124,000	\$ 4,050	\$ -
520,000	-	43,000	477,000	15,600	-
121,056	106,409	-	227,465	-	-
<u>\$ 776,056</u>	<u>\$ 106,409</u>	<u>\$ 54,000</u>	<u>\$ 828,465</u>	<u>\$ 19,650</u>	<u>\$ -</u>
\$ 112,505	\$ -	\$ 26,395	\$ 86,110	\$ 4,781	\$ -
67,207	-	23,178	44,029	3,025	-
350,000	-	50,000	300,000	-	-
<u>\$ 529,712</u>	<u>\$ -</u>	<u>\$ 99,573</u>	<u>\$ 430,139</u>	<u>\$ 7,806</u>	<u>\$ -</u>

CITY OF WINTERSET, IOWA  
 BOND AND OTHER DEBT MATURITIES  
 JUNE 30, 2011

Schedule 3

General Obligation Bonds

Year Ending June 30,	General							
	Airport Improvement		Local Option Sales Tax		Corporate Purpose		Street Improvement	
	Issued December 1, 1998		Issued December 15, 2004		Issued June 15, 2006		Issued June 15, 2007	
	Interest		Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount
2012	6.60	\$ 35,000	3.45	\$ 120,000	4.10	\$ 50,000	4.80	\$ 170,000
2013	6.65	35,000	3.60	125,000	4.15	100,000	4.80	175,000
2014	6.75	35,000	3.75	125,000	4.20	100,000	3.95	185,000
2015	-	-	3.90	130,000	4.25	120,000	4.00	195,000
2016	-	-	4.05	135,000	4.30	130,000	4.05	200,000
2017	-	-	4.15	140,000	4.35	135,000	4.10	210,000
2018	-	-	4.25	150,000	4.40	140,000	4.15	220,000
2019	-	-	4.35	155,000	-	-	-	-
2020	-	-	4.45	160,000	-	-	-	-
2021	-	-	4.55	165,000	-	-	-	-
2022	-	-	4.65	175,000	-	-	-	-
2023	-	-	4.75	185,000	-	-	-	-
2024	-	-	4.85	190,000	-	-	-	-
2025	-	-	4.95	200,000	-	-	-	-
Total		<u>\$ 105,000</u>		<u>\$ 2,155,000</u>		<u>\$ 775,000</u>		<u>\$ 1,355,000</u>

General Obligation Bonds

Year Ending June 30,	Corporate Purpose and Refunding		Corporate Purpose and Refunding		Total
	Issued April 8, 2010		Issued June 23, 2011		
	Interest Rates	Amount	Interest Rates	Amount	
2012	1.10	\$ 530,000	.65	\$ 255,000	\$ 1,285,000
2013	1.45	545,000	.90	250,000	1,385,000
2014	1.70	545,000	1.20	255,000	1,405,000
2015	2.10	485,000	1.50	255,000	1,460,000
2016	2.50	590,000	1.70	265,000	1,740,000
2017	3.00	510,000	2.00	165,000	1,595,000
2018	3.10	280,000	2.50	165,000	1,410,000
2019	3.30	145,000	2.50	165,000	940,000
2020	3.45	150,000	2.50	170,000	480,000
2021	3.60	155,000	2.95	175,000	495,000
2022	-	-	3.10	185,000	360,000
2023	-	-	3.25	185,000	370,000
2024	-	-	3.45	195,000	385,000
2025	-	-	-	-	200,000
		<u>\$ 3,935,000</u>		<u>\$ 2,685,000</u>	<u>\$ 13,510,000</u>

See accompanying independent auditor's report.



CITY OF WINTERSET, IOWA  
 BOND AND OTHER DEBT MATURITIES  
 JUNE 30, 2011

Schedule 3  
 (Continued)

State Revolving Loans							Total
Year Ending June 30,	Sewer Revenue Bonds Series 2000A		Sewer Revenue Bonds Series 2000B		Sewer Revenue Bonds Series 2009		
	Issued January 17, 2000		Issued January 17, 2000		Issued July 15, 2009		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2012	3.92	\$ 12,000	3.92	\$ 45,000		-	\$ 57,000
2013	3.92	12,000	3.92	47,000	0.00	227,465	286,465
2014	3.92	13,000	3.92	49,000		-	62,000
2015	3.92	13,000	3.92	51,000		-	64,000
2016	3.92	14,000	3.92	53,000		-	67,000
2017	3.92	14,000	3.92	55,000		-	69,000
2018	3.92	15,000	3.92	57,000		-	72,000
2019	3.92	15,000	3.92	59,000		-	74,000
2020	3.92	16,000	3.92	61,000		-	77,000
Total		<u>\$ 124,000</u>		<u>\$ 477,000</u>		<u>\$ 227,465</u>	<u>\$ 828,465</u>

Revenue Notes					Total
Year Ending June 30,	Sewer Refunding		Sewer Improvements		
	Issued May 1, 2003		Issued June 15, 2007		
	Interest Rates	Amount	Interest Rates	Amount	
2012	3.75	\$ 330,000		-	\$ 330,000
2013	3.90	340,000		-	340,000
2014		-	4.65	65,000	65,000
2015		-	4.65	65,000	65,000
2016		-	4.65	70,000	70,000
2017		-	4.65	75,000	75,000
2018		-	4.70	75,000	75,000
		<u>\$ 670,000</u>		<u>\$ 350,000</u>	<u>\$ 1,020,000</u>

See accompanying independent auditor's report.

CITY OF WINTERSET, IOWA  
 BOND AND OTHER DEBT MATURITIES  
 JUNE 30, 2011

Schedule 3  
 (continued)

Urban Renewal (TIF) Revenue Bonds

Year Ending June 30,	Issued October 31, 1997		Issued October 2, 2000		Total
	Interest		Interest		
	Rates	Amount	Rates	Amount	
2012	8.25	\$ 35,000	7.50	\$ 25,000	\$ 60,000
2013		-		-	-
2014		-		-	-
2015		-		-	-
Total		<u>\$ 35,000</u>		<u>\$ 25,000</u>	<u>\$ 60,000</u>

Special Assessment Capital Loan Notes

Year Ending June 30,	Street Improvement		Paving Project		Street Improvements		Total
	Issued April 1, 2000		Issued May 1, 2001		Issued May 1, 2003		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2012	6.30	\$ 5,000	5.50	\$ 20,000	4.00	\$ 20,000	\$ 45,000
2013	6.40	5,000	5.60	20,000	4.20	20,000	45,000
2014	6.50	10,000	5.70	20,000		-	30,000
2015	6.60	10,000	5.80	20,000		-	30,000
2016		-	5.90	20,000		-	20,000
		<u>\$ 30,000</u>		<u>\$ 100,000</u>		<u>\$ 40,000</u>	<u>\$ 170,000</u>

See accompanying independent auditor's report.

CITY OF WINTERSET, IOWA  
 BOND AND OTHER DEBT MATURITIES  
 JUNE 30, 2011

Schedule 3  
 (continued)

Special Assessment Bonds					
Year Ending June 30,	Street Improvements		Street Improvements		Total
	Issued June 1, 2005		Issued June 15, 2007		
	Interest Rates	Amount	Interest Rates	Amount	
2012	4.00	\$ 40,000	4.35	\$ 50,000	\$ 90,000
2013	4.10	40,000	4.40	50,000	90,000
2014	4.20	45,000	4.45	50,000	95,000
2015	4.30	45,000	4.50	50,000	95,000
2016		-	4.55	50,000	50,000
2017		-	4.60	55,000	55,000
		<u>\$ 170,000</u>		<u>\$ 305,000</u>	<u>\$ 475,000</u>

Other Debt							
Year Ending June 30,	Equipment Lease		Equipment Lease		Equipment Lease		Total
	Issued June 21, 2005		Issued December 26, 2006		Issued November 20, 2006		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2012	4.25	\$ 27,517	4.86,5.25	\$ 24,370	0.00	\$ 50,000	\$ 101,887
2013	4.25	28,687	5.25	19,659	0.00	50,000	98,346
2014	4.25	29,906		-	0.00	50,000	79,906
2015		-		-	0.00	50,000	50,000
2016		-		-	0.00	50,000	50,000
2017		-		-	0.00	50,000	50,000
		<u>\$ 86,110</u>		<u>\$ 44,029</u>		<u>\$ 300,000</u>	<u>\$ 430,139</u>

See accompanying independent auditor's report.

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

Schedule 4

	2011	2010	2009
RECEIPTS:			
Property tax	\$ 2,208,640	\$ 2,135,381	\$ 2,145,121
Tax incremental financing collections	1,103,473	1,003,062	750,648
Other city tax	355,836	308,647	325,975
Licenses and permits	39,302	21,738	40,075
Uses of money and property	16,330	17,135	16,996
Intergovernmental	973,494	781,742	739,943
Charges for services	206,378	208,278	188,611
Special assessments	176,708	820,527	222,843
Miscellaneous	143,483	168,197	208,042
	<u>\$ 5,223,644</u>	<u>\$ 5,464,707</u>	<u>\$ 4,638,254</u>
TOTAL			
DISBURSEMENTS:			
Operating:			
Public safety	\$ 876,819	\$ 831,732	\$ 826,361
Public works	563,546	507,351	580,460
Health and social services	4,500	4,500	4,500
Culture and recreation	1,007,845	1,002,727	1,052,825
Community and economic development	336,201	300,625	254,724
General government	406,996	396,016	396,990
Debt service	2,439,758	2,859,284	1,648,843
Capital projects	188,208	1,298,596	1,653,750
Business type activities	-	-	-
	<u>\$ 5,823,873</u>	<u>\$ 7,200,831</u>	<u>\$ 6,418,453</u>
TOTAL			

See accompanying independent auditor's report.

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 1,930,397	\$ 1,878,135	\$ 1,856,315	\$1,815,026
863,628	801,663	769,518	713,047
354,607	322,460	311,528	210,607
33,710	27,486	28,568	29,831
81,758	83,292	123,163	55,493
747,580	711,213	730,438	791,715
183,557	182,917	162,774	112,847
254,420	170,804	251,903	208,722
211,335	375,817	292,992	261,777
<u>\$ 4,660,992</u>	<u>\$ 4,553,787</u>	<u>\$ 4,527,199</u>	<u>\$4,199,065</u>
\$ 776,276	\$ 907,983	\$ 714,439	\$ 758,943
561,060	530,304	507,333	507,548
4,500	3,000	3,000	3,000
963,149	878,881	827,767	697,301
260,223	337,126	294,662	384,100
385,613	410,333	353,632	338,534
2,260,080	1,314,041	1,412,611	1,079,456
1,263,763	4,107,189	3,945,896	1,491,659
965	-	750	372
<u>\$ 6,475,629</u>	<u>\$ 8,488,857</u>	<u>\$ 8,060,090</u>	<u>\$5,260,913</u>

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

Schedule 5

Rate and number of users of the system

- User Charges - The service charge for sewer is based on water consumed at a rate of \$6.00 per 100 cubic feet. There is a \$11.85 minimum charge.
- Number of Users - The City has approximately 1,890 residential users and approximately 260 commercial and industrial users.
- Largest Users - The largest sewer customers for the 2010-2011 year were as follows:

<u>Customer</u>	<u>Cubic Feet Sold</u>
Star Quality Care Center	506,900
Winterset Care Center North	346,900
Best Kar Inc. East	189,600
Winterset Care Center South	185,600
Madison County Hospital	167,000
Mahle Tennex	153,800
Super 8 Motel	136,200
Winterset High School	117,100
North Ward Plaza	115,500
Lou and Coe Erpelding	112,700
Madison Square	109,400
Winterset Elementary School	102,200

See accompanying independent auditor's report.

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

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

We have audited the accompanying financial statements of the government activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Winterset, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated December 15, 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Winterset, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Winterset, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Winterset, Iowa's internal control over financial reporting.

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

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

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

*Drapen, Smidgrass, Mikkelsen + Co., P.C.*

December 15, 2011

CITY OF WINTERSET, IOWA  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2011

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

REPORTABLE CONDITIONS

2011-A     Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that certain functions are not entirely segregated.

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

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

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

OTHER FINDINGS RELATED TO STATUTORY REPORTING:

2011-1     Certified Budget – The City expenditures for the year ended June 30, 2011 did not exceed amounts budgeted.

2011-2     Questionable Disbursements – During the audit, we noted no expenditures for parties, banquets or other entertainment for employees or Council members that we believe may constitute an unlawful expenditure of public funds as defined in an Attorney General's opinion dated April 25, 1979.

2011-3     Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

2011-4     Business Transactions – No business transactions between the City and City officials or employees were disclosed.

2011-5     Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

2011-6 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

The Council went into closed session on October 4, 2010 and January 17, 2011. However, the minutes record did not document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open-meetings law.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa for closed sessions.

Response – The minutes accurately recorded the motion, second, and roll call vote to close the Council meeting. The minutes documented the specific reason for closing the meeting that was publicly announced in the motion. The stated reasons for closed session were, in all cases, in compliance with the listed reasons as provided in Iowa Code Section 21.5(1). However, the minutes did not reference an Iowa Code Chapter and Section Number. In the future, the Council Member who moves for closed session will be advised to reference a specific Iowa Code Chapter and Section Number when publicly announcing the reason for closed session.

Conclusion – Response acknowledged.

2011-7 Deposits and Investments – We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

2011-8 Revenue Bonds and Notes - The City has complied with the revenue bond and note resolutions.