

CITY OF WINTERSET, IOWA
INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
COMMENTS AND RECOMMENDATIONS

Year Ended June 30, 2012

CITY OF WINTERSET, IOWA
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CITY OF WINTERSET, IOWA
CITY OFFICIALS
June 30, 2012

<u>Name</u>	<u>Title</u> (Before January 2012)	<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
(After January 2012)		
James Olson	Mayor	January 1, 2014
Howard Harrell	Council Member/Mayor Pro tem	January 1, 2016
John Hunt	Council Member	January 1, 2016
Edmund Seaward	Council Member	January 1, 2014
Philip Macumber	Council Member	January 1, 2014
Scott Stover	Council Member	January 1, 2016
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, 2012, 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, 2012, and the changes in its financial position, for the year then ended in conformity with U.S. generally accepted accounting principles. In accordance with U.S. generally accepted accounting principles, City of Winterset, Iowa, has issued separate reporting entity financial statements for which we have issued our report dated July 11, 2012.

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, 2012, 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 27, 2012, 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 25 through 26 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, 2011 (none of which are presented herein) were audited by us and unqualified opinions were expressed on those primary government financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the primary government financial statements. Such information, except for that portion marked "unaudited" (Schedule 5) on which we express no opinion, has been subjected to the auditing procedures applied in our audits of the primary government financial statements and, in our opinion, is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.

Drapen, Smidgrass, Mickelson + Co., P.C.

December 27, 2012

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, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 Financial Highlights

Much the same as in the last two years, another major bond refinancing occurred involving the current redemption of two older bond issues and the advanced refunding of four other bond issues. Interest rates were significantly lowered and the 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, an additional \$3.4 million was put in escrow 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.

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 Statement of Cash Receipts, Disbursements and Changes in Cash Balances tell how governmental services were financed in the short term as well as what remains for future spending. The Statement of Cash Receipts, Disbursements and Changes in Cash Balances report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

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

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

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

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of cash basis 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 and the garbage enterprise. 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 ending cash balance for governmental activities was about \$7,112,000, which included about \$5.5 million held in escrow for future bond refinancing.

The analysis that follows focuses on the cash basis net assets for FY 2012 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,	
	2012	2011
RECEIPTS AND TRANSFERS:		
Property tax	\$ 2,261	\$ 2,209
TIF revenue	1,027	1,103
Other City taxes	365	356
License and permits	46	39
Use of money and property	24	16
Intergovernmental	841	974
Charges for service	226	206
Special assessments	168	177
Miscellaneous	161	144
Sale of assets	14	3
Bond proceeds/net transfers	5,172	346
TOTAL RECEIPTS AND TRANSFERS	\$ 10,305	\$ 5,573

	<u>Year Ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
EXPENDITURES AND TRANSFERS OUT:		
Public safety	\$ 877	\$ 877
Public works	545	564
Health and social services	5	4
Culture and recreation	1,100	1,008
Community and economic development	370	336
General government	419	407
Debt service	3,495	2,440
Capital projects	290	188
Business type activities	<u>---</u>	<u>---</u>
TOTAL DISBURSEMENTS	<u>\$ 7,101</u>	<u>\$ 5,824</u>
Increase (decrease) in cash basis net assets	\$ 3,204	\$ (251)
Cash basis net assets, beginning of year	<u>3,908</u>	<u>4,159</u>
Cash basis net assets, end of year	<u>\$ 7,112</u>	<u>\$ 3,908</u>

The analysis that follows focuses on the cash basis net assets for FY 2012 as compared to the previous year for the proprietary enterprise funds. The proprietary funds saw an increase in ending fund balance, increasing about \$85,000 to about \$562,000.

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

	<u>Year Ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
RECEIPTS:		
Use of money and property	\$ 1	\$ 2
Charges for service	1,403	1,395
Utility reimbursements	1,094	1,071
Intergovernmental	529	0
Bond proceeds	<u>67</u>	<u>107</u>
TOTAL RECEIPTS	<u>\$ 3,094</u>	<u>\$ 2,575</u>
EXPENDITURES		
Sewer operations	\$ 427	\$ 447
Capital projects	729	188
Sewer debt service	97	448
Garbage operations	253	251
Utility payroll reimbursements	1,094	1,071
Transfers out	<u>409</u>	<u>132</u>
TOTAL DISBURSEMENTS	<u>\$ 3,009</u>	<u>\$ 2,537</u>
Increase/decrease in cash basis net assets	\$ 85	\$ 38
Cash basis net assets, beginning of year	<u>477</u>	<u>439</u>
Cash basis net assets, end of year	<u>\$ 562</u>	<u>\$ 477</u>

Individual Major Governmental Fund Analysis

As the City of Winterset completed the year, its governmental funds reported a combined fund balance of about \$7,112,000 which includes \$5,495,000 held by a trustee in escrow for future bond refinancing. When the escrow funds are factored out, the City had a combined fund balance of \$1,615,000 in its governmental funds. The enterprise fund balances were \$562,000.

Within the governmental funds, the various funds of the City were affected differently. The General Fund had a slight increase of about \$7,000 from the previous year for an ending cash balance of \$236,000.

The various funds that make up the special revenue funds increased in ending cash balance by about \$193,000 during the fiscal year. The Road Use Tax Fund increased by more than \$85,000, the Trust and Agency Fund increased slightly by about \$11,000, the Local Option Sales Tax Fund increased by about \$65,000, and the LMI Grant Fund increased by about \$30,000.

The TIF special revenue funds ending balance decreased by about \$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 about \$5.7 million, which included nearly \$5.5 million held in escrow by a trustee for future bond refinancing.

The Sewer Utility Fund cash balance increased by about \$88,000 during the fiscal year.

The Garbage Fund balance showed a slight decrease because disbursements exceeded revenues by about \$3,300.

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 2012 was approved by the City Council on March 7, 2011, and later amended on May 7, 2012. The budget amendment was necessitated because of transactions related to the bond refinancing and because of capital improvement projects undertaken during the fiscal year that were not anticipated when the original budget was adopted. However, before capital improvement projects are undertaken and before any new bonds are issued, public hearings are held to inform the public of the magnitude of the project and the impact on the budget.

Debt Administration

The City's total debt decreased from June 30, 2011 to June 30, 2012, as shown below:

Outstanding Debt at Year End
(Expressed in Thousands)

	Year Ended June 30,	
	2012	2011
General obligation bonds/notes	\$ 11,255	\$11,355
Urban renewal tax increment financing revenue bonds	0	60
Sewer revenue bonds	839	1,848
Special assessment bonds	510	645
Local option sales tax bond	2,035	2,155
Total debt	\$14,639	\$16,063

The debt figures above do not include bonds which will be refunded over the next two years. Funds are being held in escrow by a trustee for future bond redemption. The escrow funds will be fully disbursed by June 1, 2014.

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, 2012 was \$13,683,428. The City's combined general obligation and tax increment financing debt, not including funds held in escrow, total \$11,255,000. During future years, the bond payment schedules provide for \$650,000 to \$1,000,000 in bonds to be retired per year, 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 2012-13 budget, tax rates, and fees that will be charged for various City activities. For the entire budget, appropriations are decreased by about 8.9% when bond escrow funds are not factored in. Property tax revenues will decrease by 1.5%, and tax revenues are also projected to decrease by 1.5%. Taxable property valuations for FY 201-13 increased by about 0.5%. Because of refinancing old bond issues, the property tax revenue use for debt service decreased by about 17%.

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, 2012

Exhibit A

FUNCTIONS/PROGRAMS:	PROGRAM RECEIPTS			
	Disbursements	Charges For Services	Operating Grants Contributions, and Restricted Interest	Capital Grants Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 877,143	\$ 59,008	\$ 95,087	\$ -
Public works	545,013	2,849	494,183	-
Health and social services	5,300	-	-	-
Culture and recreation	1,099,507	323,709	4,066	-
Community/economic development	370,254	-	-	-
General government	419,350	13,248	-	-
Debt service	3,494,625	-	21,992	-
Capital projects	290,246	-	-	22,024
Business type activities	-	-	-	-
Total governmental activities	\$ 7,101,438	\$ 398,814	\$ 615,328	\$ 22,024
Business type activities:				
Sewer	\$ 1,268,613	\$ 1,151,945	\$ 1,391	\$ 528,923
Garbage	253,835	250,513	-	-
Utility reimbursement	1,093,443	-	-	-
Total business type activities	\$ 2,615,891	\$ 1,402,458	\$ 1,391	\$ 528,923
TOTAL PRIMARY GOVERNMENT	\$ 9,717,329	\$ 1,801,272	\$ 616,719	\$ 550,947
COMPONENT UNIT:				
Friends of the Library	\$ 73,178	\$ -	\$ 72,476	\$ -
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				
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:				
Expendable:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
TOTAL CASH BASIS NET ASSETS				

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

NET (DISBURSEMENTS) RECEIPTS AND CHANGES IN CASH BASIS NET ASSETS			COMPONENT UNIT
Governmental Activities	Business Type Activities	Total	Friends of the Library
\$ (723,048)	\$ -	\$ (723,048)	\$ -
(47,981)	-	(47,981)	-
(5,300)	-	(5,300)	-
(771,732)	-	(771,732)	-
(370,254)	-	(370,254)	-
(406,102)	-	(406,102)	-
(3,472,633)	-	(3,472,633)	-
(268,222)	-	(268,222)	-
-	-	-	-
<u>\$ (6,065,272)</u>	<u>\$ -</u>	<u>\$ (6,065,272)</u>	<u>\$ -</u>
\$ -	\$ 413,646	\$ 413,646	\$ -
-	(3,322)	(3,322)	-
-	(1,093,443)	(1,093,443)	-
<u>\$ -</u>	<u>\$ (683,119)</u>	<u>\$ (683,119)</u>	<u>\$ -</u>
<u>\$ (6,065,272)</u>	<u>\$ (683,119)</u>	<u>\$ (6,748,391)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (702)
\$ 1,292,552	\$ -	\$ 1,292,552	\$ -
1,026,990	-	1,026,990	-
539,874	-	539,874	-
576,640	-	576,640	-
25,802	-	25,802	-
204,000	-	204,000	-
339,492	-	339,492	-
2,273	-	2,273	-
4,778,595	67,136	4,845,731	-
75,302	1,094,115	1,169,417	-
13,759	-	13,759	-
393,470	(393,470)	-	-
<u>\$ 9,268,749</u>	<u>\$ 767,781</u>	<u>\$ 10,036,530</u>	<u>\$ -</u>
\$ 3,203,477	\$ 84,662	\$ 3,288,139	\$ (702)
3,908,242	477,288	4,385,530	937,460
<u>\$ 7,111,719</u>	<u>\$ 561,950</u>	<u>\$ 7,673,669</u>	<u>\$ 936,758</u>
\$ 181,700	\$ -	\$ 181,700	
6,276	-	6,276	
5,727,159	12,599	5,739,758	
960,039	375,042	1,335,081	
236,545	174,309	410,854	
<u>\$ 7,111,719</u>	<u>\$ 561,950</u>	<u>\$ 7,673,669</u>	

CITY OF WINTERSET, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2012

Exhibit B

		SPECIAL REVENUE	
	General	Road Use Tax	Employee Benefits
RECEIPTS:			
Property taxes	\$ 1,292,552	\$ -	\$ 539,874
Tax increment financing collections	-	-	-
Other city taxes	25,802	-	-
Licenses and permits	46,013	-	-
Use of money and property	2,064	-	-
Intergovernmental	346,804	494,183	-
Charges for service	226,139	-	-
Special assessments	-	-	-
Miscellaneous	149,639	-	100
Total receipts	\$ 2,089,013	\$ 494,183	\$ 539,974
DISBURSEMENTS:			
Operating:			
Public safety	\$ 668,214	\$ -	\$ 208,409
Public works	37,382	408,748	98,884
Health and social services	5,300	-	-
Culture and recreation	929,102	-	170,404
Community/economic development	61,493	-	-
General government	368,117	-	51,233
Debt service	-	-	-
Capital projects	-	-	-
Business type activities	-	-	-
Total disbursements	\$ 2,069,608	\$ 408,748	\$ 528,930
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 19,405	\$ 85,435	\$ 11,044
OTHER FINANCING SOURCES (USES):			
Sale of capital assets	\$ 13,759	\$ -	\$ -
Bond proceeds, net	-	-	-
Debt redeemed	-	-	-
Operating transfers in	-	-	-
Operating transfers out	(26,203)	(124)	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ (12,444)	\$ (124)	\$ -
NET CHANGE IN CASH BALANCES	\$ 6,961	\$ 85,311	\$ 11,044
CASH BALANCES, BEGINNING OF YEAR	229,584	96,389	32,456
CASH BALANCES, END OF YEAR	\$ 236,545	\$ 181,700	\$ 43,500
CASH BASIS FUND BALANCES:			
Restricted for:			
Urban renewal purposes	\$ -	\$ -	\$ -
Debt service	-	-	-
Street	-	181,700	-
Other purposes	-	-	43,500
Unassigned	236,545	-	-
TOTAL CASH BASIS FUND BALANCES	\$ 236,545	\$ 181,700	\$ 43,500

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>
\$ -	\$ 428,286	\$ -	\$ 2,260,712
1,026,990	-	-	1,026,990
-	-	339,492	365,294
-	-	-	46,013
-	21,992	209	24,265
-	-	-	840,987
-	-	-	226,139
-	148,354	19,624	167,978
-	4,010	6,965	160,714
<u>\$ 1,026,990</u>	<u>\$ 602,642</u>	<u>\$ 366,290</u>	<u>\$ 5,119,092</u>
\$ -	\$ -	\$ 520	\$ 877,143
-	-	-	545,014
-	-	-	5,300
-	-	-	1,099,506
266,996	-	41,765	370,254
-	-	-	419,350
65,763	3,428,863	-	3,494,626
-	-	290,246	290,246
-	-	-	-
<u>\$ 332,759</u>	<u>\$ 3,428,863</u>	<u>\$ 332,531</u>	<u>\$ 7,101,439</u>
<u>\$ 694,231</u>	<u>\$ (2,826,221)</u>	<u>\$ 33,759</u>	<u>\$ (1,982,347)</u>
\$ -	\$ -	\$ -	\$ 13,759
-	3,968,818	809,777	4,778,595
-	-	-	-
-	1,358,134	83,808	1,441,942
<u>(739,784)</u>	<u>-</u>	<u>(282,361)</u>	<u>(1,048,472)</u>
<u>\$ (739,784)</u>	<u>\$ 5,326,952</u>	<u>\$ 611,224</u>	<u>\$ 5,185,824</u>
\$ (45,553)	\$ 2,500,731	\$ 644,983	\$ 3,203,477
51,829	3,226,428	271,556	3,908,242
<u>\$ 6,276</u>	<u>\$ 5,727,159</u>	<u>\$ 916,539</u>	<u>\$ 7,111,719</u>
\$ 6,276	\$ -	\$ -	\$ 6,276
-	5,727,159	-	5,727,159
-	-	-	181,700
-	-	916,539	960,039
-	-	-	236,545
<u>\$ 6,276</u>	<u>\$ 5,727,159</u>	<u>\$ 916,539</u>	<u>\$ 7,111,719</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, 2012

Exhibit C

	Enterprise			Total
	Sewer	Garbage	Utility Reimbursement	
OPERATING RECEIPTS:				
Use of money and property	\$ 1,391	\$ -	\$ -	\$ 1,391
Charge for service	1,151,945	250,513	-	1,402,458
Miscellaneous	672	-	1,093,443	1,094,115
Total operating receipts	<u>\$ 1,154,008</u>	<u>\$ 250,513</u>	<u>\$ 1,093,443</u>	<u>\$ 2,497,964</u>
OPERATING DISBURSEMENTS:				
Business type activities	<u>\$ 1,268,613</u>	<u>\$ 253,835</u>	<u>\$ 1,093,443</u>	<u>\$ 2,615,891</u>
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS (OVER) UNDER OPERATING DISBURSEMENTS	<u>\$ (114,605)</u>	<u>\$ (3,322)</u>	<u>\$ -</u>	<u>\$ (117,927)</u>
OTHER FINANCING SOURCES (USES):				
Intergovernmental	\$ 528,923	\$ -	\$ -	\$ 528,923
Bond proceeds, net	67,136	-	-	67,136
Transfers in	9,997	-	-	9,997
Transfers out	<u>(393,470)</u>	<u>(9,997)</u>	<u>-</u>	<u>(403,467)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 212,586</u>	<u>\$ (9,997)</u>	<u>\$ -</u>	<u>\$ 202,589</u>
NET CHANGE IN CASH BALANCES	\$ 97,981	\$ (13,319)	\$ -	\$ 84,662
CASH BALANCES, BEGINNING OF YEAR	<u>475,873</u>	<u>1,415</u>	<u>-</u>	<u>477,288</u>
CASH BALANCES, END OF YEAR	<u><u>\$ 573,854</u></u>	<u><u>\$ (11,904)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 561,950</u></u>
CASH BASIS FUND BALANCES:				
Reserved for debt service/maintenance	\$ 387,641	\$ -	\$ -	\$ 387,641
Unreserved	<u>186,213</u>	<u>(11,904)</u>	<u>-</u>	<u>174,309</u>
Total cash basis fund balances	<u><u>\$ 573,854</u></u>	<u><u>\$ (11,904)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 561,950</u></u>

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

CITY OF WINTERSET, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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, 2012

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, 2012

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, 2012

Note 1. Summary of Significant Accounting Policies (continued)

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.

Note 2. Cash and Pooled Investments

The City's deposits in banks at June 30, 2012, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

CITY OF WINTERSET, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 2. Cash and Pooled Investments (continued)

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

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>
2013	\$ 1,590,000	\$ 438,027
2014	1,610,000	397,596
2015	1,900,000	364,822
2016	2,085,000	324,002
2017	2,000,000	268,601
2018-2022	6,030,000	634,472
2023-2025	<u>1,075,000</u>	<u>65,015</u>
TOTAL	<u>\$16,290,000</u>	<u>\$2,492,535</u>

CITY OF WINTERSET, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 3. Bonds and Notes Payable (continued)

Year Ending June 30,	Sewer Revenue Notes		Special Assessment Capital Loan	
	Principal	Interest	Principal	Interest
2013	\$ ---	\$ 16,313	\$ 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	75,000	7,013	---	---
2018-2022	75,000	3,525	---	---
2023-2025	---	---	---	---
TOTAL	\$ 350,000	\$ 66,722	\$ 125,000	\$ 15,620

Year Ending June 30,	Special Assessment Bonds		State Revolving Loans	
	Principal	Interest	Principal	Interest
2013	\$ 90,000	\$ 16,945	\$ 69,000	\$ 24,250
2014	95,000	13,105	118,000	23,088
2015	95,000	8,990	122,000	19,548
2016	50,000	4,805	127,000	15,888
2017	55,000	2,530	131,000	12,078
2018-2022	---	---	271,600	14,988
2023-2025	---	---	---	---
TOTAL	\$ 385,000	\$ 46,375	\$ 838,600	\$ 109,840

Year Ending June 30,	Other Debt		Total	
	Principal	Interest	Principal	Interest
2013	\$ 98,346	\$ 3,094	\$ 1,892,346	\$ 505,279
2014	79,906	1,271	1,997,906	456,163
2015	50,000	---	2,262,000	409,650
2016	50,000	---	2,402,000	356,143
2017	50,000	---	2,311,000	290,222
2018-2022	---	---	6,376,600	652,985
2023-2025	---	---	1,075,000	65,015
TOTAL	\$ 328,252	\$ 4,365	\$18,316,852	\$2,735,457

CITY OF WINTERSET, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 3. Bonds and Notes Payable (continued)

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.

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 5.38% of their annual salary and the City is required to contribute 8.07%. 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, 2012, 2011, and 2010 was \$173,424, \$151,152, and \$142,530 respectively, equal to the required contributions for each year.

CITY OF WINTERSET, IOWA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

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, 2012, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 64,675
Sick leave	<u>83,680</u>
Total	<u>\$148,355</u>

This liability has been computed based on rates of pay as of June 30, 2012.

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	\$ 26,203
	Special revenue:	
	Tax increment financing	669,777
	Local option tax	275,054
	Enterprise:	
	Sewer	<u>398,137</u>
		<u>\$1,369,171</u>

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

Note 6. Interfund Transfers (continued)

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special revenue: LMI grant fund	Special revenue: Tax increment financing	\$ <u>70,007</u>
Housing project	Special revenue: LMI grant fund	\$ <u>7,307</u>
Capital projects: Paving Project	Enterprise: Sewer	\$ <u>6,370</u>
Downtown Improvement	Special Revenue: Road Use	\$ <u>124</u>
Enterprise Sewer	Enterprise: Garbage	\$ <u>9,997</u>
Total		<u>\$1,462,976</u>

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

Note 7. Risk Management

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

CITY OF WINTERSET, IOWA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

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:

	Year Ended June 30,	
Total future minimum lease payments:	2013	\$ 31,177
	2014	<u>31,177</u>
		\$ 62,354
Less amount representing interest		<u>(3,761)</u>
Present value of future minimum lease Payments		<u>\$ 58,593</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:

CITY OF WINTERSET, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 9. Capital Leases (continued)

	Year Ended June 30,		
Total future minimum lease payments:	2013	\$	50,000
	2014		50,000
	2015		50,000
	2016		50,000
	2017		<u>50,000</u>
			\$ 250,000
Less amount representing interest			<u>---</u>
Present value of future minimum lease Payments			<u>\$ 250,000</u>

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

	Year Ended June 30,		
Total future minimum lease payments:	2013	\$	<u>20,263</u>
			\$ 20,263
Less amount representing interest			<u>(604)</u>
Present value of future minimum lease Payments			<u>\$ 19,659</u>

Note 10. Deficit Balance

The Garbage Fund had a deficit balance of \$11,094 at June 30, 2012. The deficit balance was a result of costs in excess of revenues generated.

Note 11. Subsequent Events

In October 2012, the City approved to assign funding of \$75,000 for a community attraction and tourism project.

Management has evaluated subsequent events through December 27, 2012, 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, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Net
RECEIPTS:			
Property tax	\$ 2,260,712	\$ -	\$ 2,260,712
Tax increment financing collections	1,026,990	-	1,026,990
Other city tax	365,294	-	365,294
Licenses and permits	46,013	-	46,013
Use of money and property	24,265	1,391	25,656
Intergovernmental	840,987	528,923	1,369,910
Charges for service	226,139	1,402,458	1,628,597
Special assessments	167,978	-	167,978
Miscellaneous	160,714	1,094,115	1,254,829
TOTAL RECEIPTS	\$ 5,119,092	\$ 3,026,887	\$ 8,145,979
DISBURSEMENTS:			
Public safety	\$ 877,143	\$ -	\$ 877,143
Public works	545,014	-	545,014
Health and social services	5,300	-	5,300
Culture and recreation	1,099,506	-	1,099,506
Community and economic development	370,254	-	370,254
General government	419,350	-	419,350
Debt service	3,494,626	-	3,494,626
Capital projects	290,246	-	290,246
Business type activities	-	2,615,891	2,615,891
TOTAL DISBURSEMENTS	\$ 7,101,439	\$ 2,615,891	\$ 9,717,330
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,982,347)	\$ 410,996	\$ (1,571,351)
OTHER FINANCING SOURCES, NET	5,185,824	(326,334)	4,859,490
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	\$ 3,203,477	\$ 84,662	\$ 3,288,139
BALANCE, BEGINNING OF YEAR	3,908,242	477,288	4,385,530
BALANCE, END OF YEAR	\$ 7,111,719	\$ 561,950	\$ 7,673,669

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
\$ 2,237,094	\$ 2,237,094	\$ 23,618
1,031,974	1,031,974	(4,984)
369,266	373,194	(7,900)
23,375	36,342	9,671
21,645	21,645	4,011
1,406,166	1,460,043	(90,133)
1,692,500	1,692,500	(63,903)
175,000	175,000	(7,022)
1,338,407	1,338,407	(83,578)
<u>\$ 8,295,427</u>	<u>\$ 8,366,199</u>	<u>\$ (220,220)</u>
\$ 892,751	\$ 892,751	\$ 15,608
591,647	591,647	46,633
13,915	13,915	8,615
1,071,793	1,112,975	13,469
361,744	374,519	4,265
421,980	421,980	2,630
2,534,042	3,489,534	(5,092)
13,858	483,858	193,612
4,054,401	4,054,401	1,438,510
<u>\$ 9,956,131</u>	<u>\$ 11,435,580</u>	<u>\$ 1,718,250</u>
\$ (1,660,704)	\$ (3,069,381)	\$ 1,498,030
975,000	5,035,182	(175,692)
\$ (685,704)	\$ 1,965,801	<u>\$ 1,322,338</u>
2,209,373	4,377,003	
<u>\$ 1,523,669</u>	<u>\$ 6,342,804</u>	

CITY OF WINTERSET, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2012

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 \$1,479,449. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amounts budget in the Capital Projects function prior to amendment and in Debt Service function after the budget amendment.

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, 2012

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	339,492	-	-	-	-
Licenses and permits	-	-	-	-	-
Uses of money and property	209	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Special assessments	-	-	-	-	-
Miscellaneous	-	-	-	4,031	-
TOTAL RECEIPTS	\$ 339,701	\$ -	\$ -	\$ 4,031	\$ -
DISBURSEMENTS:					
Operating:					
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 520
Public works	-	-	-	-	-
Health and social services	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community and economic development	-	32,186	9,579	-	-
General government	-	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
TOTAL DISBURSEMENTS	\$ -	\$ 32,186	\$ 9,579	\$ -	\$ 520
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 339,701	\$ (32,186)	\$ (9,579)	\$ 4,031	\$ (520)
OTHER FINANCING SOURCES (USES):					
Sale of capital assets	\$ -	\$ -	\$ -	\$ -	\$ -
Bond proceeds, net	-	-	-	-	-
Anticipatory notes issued	-	-	-	-	-
Anticipatory notes redeemed	-	-	-	-	-
Operating transfers in	-	70,007	7,307	-	-
Operating transfers out	(275,054)	(7,307)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ (275,054)	\$ 62,700	\$ 7,307	\$ -	\$ -

See accompanying independent auditor's report.

Capital Projects

Sidewalk Project	Paving Project	Truck Equipment Project	Downtown Improvement Project	Storm Sewer Project	Park Improvement Project	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	339,492
-	-	-	-	-	-	209
-	-	-	-	-	-	-
500	19,124	-	-	-	-	19,624
534	-	-	-	-	2,400	6,965
<u>\$ 1,034</u>	<u>\$ 19,124</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,400</u>	<u>\$ 366,290</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 520
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	41,765
-	-	-	-	-	-	-
-	-	-	-	-	-	-
7,217	204,428	-	333	68,554	9,714	290,246
<u>\$ 7,217</u>	<u>\$ 204,428</u>	<u>\$ -</u>	<u>\$ 333</u>	<u>\$ 68,554</u>	<u>\$ 9,714</u>	<u>\$ 332,531</u>
<u>\$ (6,183)</u>	<u>\$ (185,304)</u>	<u>\$ -</u>	<u>\$ (333)</u>	<u>\$ (68,554)</u>	<u>\$ (7,314)</u>	<u>\$ 33,759</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	211,866	341,111	-	256,800	-	809,777
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	6,370	-	124	-	-	83,808
-	-	-	-	-	-	(282,361)
<u>\$ -</u>	<u>\$ 218,236</u>	<u>\$ 341,111</u>	<u>\$ 124</u>	<u>\$ 256,800</u>	<u>\$ -</u>	<u>\$ 611,224</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, 2012

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	\$ 64,647	\$ 30,514	\$ (2,272)	\$ 4,031	\$ (520)
CASH BALANCES, BEGINNING OF YEAR	35,361	182,772	12,324	9,716	2,274
CASH BALANCES, END OF YEAR	\$ 100,008	\$ 213,286	\$ 10,052	\$ 13,747	\$ 1,754
CASH BASIS FUND BALANCES:					
Restricted for:					
Other purposes	\$ 100,008	\$ 213,286	\$ 10,052	\$ 13,747	\$ 1,754
Unassigned	-	-	-	-	-
TOTAL CASH BASIS FUND BALANCES	\$ 100,008	\$ 213,286	\$ 10,052	\$ 13,747	\$ 1,754

See accompanying independent auditor's report.

Capital Projects

Sidewalk Project	Paving Project	Truck Equipment Project	Downtown Improvement Project	Storm Sewer Project	Park Improvement Project	Total
\$ (6,183)	\$ 32,932	\$ 341,111	\$ (209)	\$ 188,246	\$ (7,314)	\$ 644,983
<u>16,712</u>	<u>-</u>	<u>-</u>	<u>209</u>	<u>-</u>	<u>12,188</u>	<u>271,556</u>
<u>\$ 10,529</u>	<u>\$ 32,932</u>	<u>\$ 341,111</u>	<u>\$ -</u>	<u>\$ 188,246</u>	<u>\$ 4,874</u>	<u>\$ 916,539</u>
\$ 10,529	\$ 32,932	\$ 341,111	\$ -	\$ 188,246	\$ 4,874	\$ 916,539
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 10,529</u>	<u>\$ 32,932</u>	<u>\$ 341,111</u>	<u>\$ -</u>	<u>\$ 188,246</u>	<u>\$ 4,874</u>	<u>\$ 916,539</u>

CITY OF WINTERSET, IOWA
SCHEDULE OF INDEBTEDNESS
Year Ended June 30, 2012

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount Originally Issued</u>
General obligation bonds:			
Airport improvement	December 1, 1998	5.50-6.75%	\$ 375,000
Local option sales tax	December 15, 2004	2.45-4.95%	2,700,000
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
Corporate purpose and refunding	March 29, 2012	.45-2.15%	4,860,000
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	October 2, 2000	7.50%	160,000
Total			

See accompanying independent auditor's report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 105,000	\$ -	\$ 105,000	\$ -	\$ 6,283	\$ -
2,155,000	-	120,000	2,035,000	91,390	-
775,000	-	775,000	-	33,123	-
1,355,000	-	170,000	1,185,000	57,508	-
870,000	-	25,000	845,000	35,705	-
260,000	-	60,000	200,000	8,625	-
1,370,000	-	40,000	1,330,000	60,985	-
3,935,000	-	530,000	3,405,000	87,453	-
2,685,000	-	255,000	2,430,000	51,390	-
-	4,860,000	-	4,860,000	-	-
<u>\$ 13,510,000</u>	<u>\$ 4,860,000</u>	<u>\$ 2,080,000</u>	<u>\$ 16,290,000</u>	<u>\$ 432,462</u>	<u>\$ -</u>
\$ 30,000	\$ -	\$ 5,000	\$ 25,000	\$ 1,945	\$ -
100,000	-	20,000	80,000	5,700	-
40,000	-	20,000	20,000	1,240	-
<u>\$ 170,000</u>	<u>\$ -</u>	<u>\$ 45,000</u>	<u>\$ 125,000</u>	<u>\$ 8,885</u>	<u>\$ -</u>
\$ 170,000	\$ -	\$ 40,000	\$ 130,000	\$ 7,065	\$ -
305,000	-	50,000	255,000	13,655	-
<u>\$ 475,000</u>	<u>\$ -</u>	<u>\$ 90,000</u>	<u>\$ 385,000</u>	<u>\$ 20,720</u>	<u>\$ -</u>
\$ 35,000	\$ -	\$ 35,000	\$ -	\$ 2,888	\$ -
25,000	-	25,000	-	1,875	-
<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ 4,763</u>	<u>\$ -</u>

CITY OF WINTERSET, IOWA
 SCHEDULE OF INDEBTEDNESS
 Year Ended June 30, 2012

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
Sewer bonds, Series 2012	June 15, 2012	3.00%	1,460,000
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>
\$ 670,000	\$ -	\$ 670,000	\$ -	\$ 23,855	\$ -
350,000	-	-	350,000	16,313	-
<u>\$ 1,020,000</u>	<u>\$ -</u>	<u>\$ 670,000</u>	<u>\$ 350,000</u>	<u>\$ 40,168</u>	<u>\$ -</u>
\$ 124,000	\$ -	\$ 12,000	\$ 112,000	\$ 3,720	\$ -
477,000	-	45,000	432,000	14,310	-
227,465	52,535	280,000	-	-	-
-	294,600	-	294,600	-	-
<u>\$ 828,465</u>	<u>\$ 347,135</u>	<u>\$ 337,000</u>	<u>\$ 838,600</u>	<u>\$ 18,030</u>	<u>\$ -</u>
\$ 86,110	\$ -	\$ 27,517	\$ 58,593	\$ 3,660	\$ -
44,029	-	24,370	19,659	1,833	-
300,000	-	50,000	250,000	-	-
<u>\$ 430,139</u>	<u>\$ -</u>	<u>\$ 101,887</u>	<u>\$ 328,252</u>	<u>\$ 5,493</u>	<u>\$ -</u>

CITY OF WINTERSET, IOWA
BOND AND OTHER DEBT MATURITIES
JUNE 30, 2012

Schedule 3

General Obligation Bonds						
Year Ending June 30,	Local Option Sales Tax		Street Improvement		Street Improvement	
	Issued December 15, 2004		Issued June 15, 2007		Issued June 15, 2008	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2013	3.60	\$ 125,000	4.80	\$ 175,000	4.35	\$ 35,000
2014	3.75	125,000	3.95	185,000	4.35	35,000
2015	3.90	130,000	4.00	195,000	4.35	75,000
2016	4.05	135,000	4.05	200,000	4.40	165,000
2017	4.15	140,000	4.10	210,000	3.90	170,000
2018	4.25	150,000	4.15	220,000	3.90	180,000
2019	4.35	155,000		-	4.00	185,000
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>\$ 2,035,000</u>		<u>\$ 1,185,000</u>		<u>\$ 845,000</u>

General Obligation Bonds						
Year Ending June 30,	Corporate Purpose and Refunding		Corporate Purpose and Refunding		Corporate Purpose and Refunding	
	Issued April 8, 2010		Issued June 23, 2011		Issued March 29, 2012	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2013	1.45	\$ 545,000	.90	\$ 250,000	.45	\$ 340,000
2014	1.70	545,000	1.20	255,000	.55	340,000
2015	2.10	485,000	1.50	255,000	.65	560,000
2016	2.50	590,000	1.70	265,000	.80	475,000
2017	3.00	510,000	2.00	165,000	1.00	540,000
2018	3.10	280,000	2.50	165,000	1.10	530,000
2019	3.30	145,000	2.50	165,000	1.30	475,000
2020	3.45	150,000	2.50	170,000	1.55	500,000
2021	3.60	155,000	2.95	175,000	1.75	510,000
2022		-	3.10	185,000	1.95	470,000
2023		-	3.25	185,000	2.15	120,000
2024		-	3.45	195,000		-
2025		-		-		-
		<u>\$ 3,405,000</u>		<u>\$ 2,430,000</u>		<u>\$ 4,860,000</u>

See accompanying independent auditor's report.

CITY OF WINTERSET, IOWA
 BOND AND OTHER DEBT MATURITIES
 JUNE 30, 2012

Schedule 3
 (Continued)

State Revolving Loans

Year Ending June 30,	Sewer Revenue Bonds Series 2000A Issued January 17, 2000		Sewer Revenue Bonds Series 2000B Issued January 17, 2000		Sewer Revenue Bonds Series 2012 Issued June 15, 2012		Total
	Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	
2013	3.92	\$ 12,000	3.92	\$ 47,000	3.00	\$ 10,000	\$ 69,000
2014	3.92	13,000	3.92	49,000	3.00	56,000	118,000
2015	3.92	13,000	3.92	51,000	3.00	58,000	122,000
2016	3.92	14,000	3.92	53,000	3.00	60,000	127,000
2017	3.92	14,000	3.92	55,000	3.00	62,000	131,000
2018	3.92	15,000	3.92	57,000	3.00	48,600	120,600
2019	3.92	15,000	3.92	59,000	3.00	-	74,000
2020	3.92	16,000	3.92	61,000	3.00	-	77,000
Total		<u>\$ 112,000</u>		<u>\$ 432,000</u>		<u>\$ 294,600</u>	<u>\$ 838,600</u>

Revenue Notes

Year Ending June 30,	Sewer Improvements Issued June 15, 2007		Total
	Interest		
	Rates	Amount	
2013		\$ -	\$ -
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>\$ 350,000</u>	<u>\$ 350,000</u>

See accompanying independent auditor's report.

CITY OF WINTERSET, IOWA
 BOND AND OTHER DEBT MATURITIES
 JUNE 30, 2012

Schedule 3
 (continued)

Year Ending June 30,	Special Assessment Capital Loan Notes						
	Street Improvement		Paving Project		Street Improvements		Total
	Issued April 1, 2000		Issued May 1, 2001		Issued May 1, 2003		
	Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount		
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
		\$ 25,000		\$ 80,000		\$ 20,000	\$ 125,000

Year Ending June 30,	Special Assessment Bonds				
	Street Improvements		Street Improvements		Total
	Issued June 1, 2005		Issued June 15, 2007		
	Interest		Interest		
Rates	Amount	Rates	Amount		
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
		\$ 130,000		\$ 255,000	\$ 385,000

See accompanying independent auditor's report.

CITY OF WINTERSET, IOWA
 BOND AND OTHER DEBT MATURITIES
 JUNE 30, 2012

Schedule 3
 (continued)

Year Ending June 30,	Other Debt						
	Equipment Lease		Equipment Lease		Equipment Lease		Total
	Issued June 21, 2005		Issued December 26, 2006		Issued November 20, 2006		
	Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount		
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
		\$ 58,593		\$ 19,659		\$ 250,000	\$ 328,252

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 Eight Years

Schedule 4

	<u>2012</u>	<u>2011</u>	<u>2010</u>
RECEIPTS:			
Property tax	\$ 2,260,712	\$ 2,208,640	\$ 2,135,381
Tax incremental financing collections	1,026,990	1,103,473	1,003,062
Other city tax	365,294	355,836	308,647
Licenses and permits	46,013	39,302	21,738
Uses of money and property	24,265	16,330	17,135
Intergovernmental	840,987	973,494	781,742
Charges for services	226,139	206,378	208,278
Special assessments	167,978	176,708	820,527
Miscellaneous	160,714	143,483	168,197
	<u>5,119,092</u>	<u>5,223,644</u>	<u>5,464,707</u>
TOTAL	<u>\$ 5,119,092</u>	<u>\$ 5,223,644</u>	<u>\$ 5,464,707</u>
DISBURSEMENTS:			
Operating:			
Public safety	\$ 877,143	\$ 877,143	\$ 831,732
Public works	545,014	545,014	507,351
Health and social services	5,300	5,300	4,500
Culture and recreation	1,099,506	1,099,506	1,002,727
Community and economic development	370,254	370,254	300,625
General government	419,350	419,350	396,016
Debt service	3,494,626	3,494,626	2,859,284
Capital projects	290,246	290,246	1,298,596
Business type activities	-	-	-
	<u>7,101,439</u>	<u>7,101,439</u>	<u>7,200,831</u>
TOTAL	<u>\$ 7,101,439</u>	<u>\$ 7,101,439</u>	<u>\$ 7,200,831</u>

See accompanying independent auditor's report.

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 2,145,121	\$ 1,930,397	\$ 1,878,135	\$1,856,315	\$1,815,026
750,648	863,628	801,663	769,518	713,047
325,975	354,607	322,460	311,528	210,607
40,075	33,710	27,486	28,568	29,831
16,996	81,758	83,292	123,163	55,493
739,943	747,580	711,213	730,438	791,715
188,611	183,557	182,917	162,774	112,847
222,843	254,420	170,804	251,903	208,722
208,042	211,335	375,817	292,992	261,777
<u>\$ 4,638,254</u>	<u>\$ 4,660,992</u>	<u>\$ 4,553,787</u>	<u>\$4,527,199</u>	<u>\$4,199,065</u>
\$ 826,361	\$ 776,276	\$ 907,983	\$ 714,439	\$ 758,943
580,460	561,060	530,304	507,333	507,548
4,500	4,500	3,000	3,000	3,000
1,052,825	963,149	878,881	827,767	697,301
254,724	260,223	337,126	294,662	384,100
396,990	385,613	410,333	353,632	338,534
1,648,843	2,260,080	1,314,041	1,412,611	1,079,456
1,653,750	1,263,763	4,107,189	3,945,896	1,491,659
-	965	-	750	372
<u>\$ 6,418,453</u>	<u>\$ 6,475,629</u>	<u>\$ 8,488,857</u>	<u>\$8,060,090</u>	<u>\$5,260,913</u>

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, 2012, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated December 27, 2012. 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

Management of the City of Winterset, Iowa, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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, 2012, 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 27, 2012

CITY OF WINTERSET, IOWA
SCHEDULE OF FINDINGS
Year Ended June 30, 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

REPORTABLE CONDITIONS

2012-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:

2012-1 Certified Budget – Disbursements during the year ended June 30, 2012, exceeded the amounts budgeted in the Capital Projects function prior to amendment and Debt Service function after amendment. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The City of Winterset typically amends the annual budget once during the fiscal year because unforeseen circumstances usually come up during the budget year. Unanticipated events, such as the construction of public infrastructure needed to serve a new private development project, and the opportunity to restructure debt service payments, were not included in the budget when it was originally adopted. However, before any new capital improvement project is undertaken and before any new bonds are issued, public hearings are held to inform the public of the magnitude of the project and the impact on the budget. In the future, the City will make a concerted effort to amend the budget in a timely manner.

Conclusion – Response acknowledged.

- 2012-2 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.
- 2012-3 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- 2012-4 Business Transactions – No business transactions between the City and City officials or employees were disclosed.
- 2012-5 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.
- 2012-6 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- 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.
- 2012-8 Revenue Bonds and Notes - The City has complied with the revenue bond and note resolutions.