

CITY OF WINTERSET, IOWA

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

Year Ended June 30, 2013

CITY OF WINTERSET, IOWA  
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CITY OF WINTERSET, IOWA  
CITY OFFICIALS  
June 30, 2013

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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

### Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the government activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Winterset, Iowa, as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## **Basis of Accounting**

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

## **Other Matters**

### **Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 to 11 and 25 to 26 presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the supplemental information in accordance with U.S. generally accepted auditing standards, which consists of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Winterset, Iowa's financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is also not a required part of the financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 19, 2013, on our consideration of the City of Winterset, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Winterset, Iowa's internal control over financial reporting and compliance.

*Drapen, Smidgrass, Mitchell & Co., P.C.*

December 19, 2013

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, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2013 Financial Highlights**

During the past few years, several outstanding bond issues were refinanced through either a current redemption or advanced refunding of future maturities. As a result, interest rates were significantly lowered and bond principal payment schedule modified, resulting a significant reduction in future debt service payments. As part of this refinancing, bond proceeds were 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 Position. 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.

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

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 Position 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.

### Government-Wide Financial Analysis

The City's ending cash balance for governmental activities was about \$3,059,000, which included about \$2 million held in escrow for future bond refinancing.

The analysis that follows focuses on the cash basis net assets for FY 2013 as compared to the previous year for the governmental funds.

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

	<u>Year Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
<b>RECEIPTS AND TRANSFERS:</b>		
Property tax	\$ 2,230	\$ 2,261
TIF revenue	1,055	1,027
Other City taxes	359	365
License and permits	46	46
Use of money and property	10	24
Intergovernmental	960	841
Charges for service	184	226
Special assessments	137	168
Miscellaneous	163	161
Sale of assets	20	14
Bond proceeds	310	4,779
Transfer in	<u>397</u>	<u>393</u>
<b>TOTAL RECEIPTS AND TRANSFERS</b>	<b><u>\$ 5,871</u></b>	<b><u>\$10,305</u></b>
<b>EXPENDITURES AND TRANSFERS OUT:</b>		
Public safety	\$ 886	\$ 877
Public works	603	545
Health and social services	5	5
Culture and recreation	1,053	1,100
Community and economic development	391	370
General government	406	419
Debt service	5,532	3,495
Capital projects	<u>1,048</u>	<u>290</u>
<b>TOTAL DISBURSEMENTS</b>	<b><u>\$ 9,924</u></b>	<b><u>\$ 7,101</u></b>

	<u>Year Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Increase (decrease) in cash basis net assets	\$(4,053)	\$ 3,204
Cash basis net assets, beginning of year	<u>7,112</u>	<u>3,908</u>
Cash basis net assets, end of year	<u>\$ 3,059</u>	<u>\$ 7,112</u>

The analysis that follows focuses on the cash basis net assets for FY 2013 as compared to the previous year for the proprietary enterprise funds. The proprietary funds saw a decrease in ending fund balance, decreasing about \$37,000 to about \$525,000.

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

	<u>Year Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
<b>RECEIPTS:</b>		
Use of money and property	\$ 1	\$ 1
Charges for service	1,412	1,403
Utility reimbursements	1,133	1,094
Intergovernmental	71	529
Bond proceeds	<u>900</u>	<u>67</u>
<b>TOTAL RECEIPTS</b>	<u>\$ 3,517</u>	<u>\$ 3,094</u>
<b>EXPENDITURES</b>		
Sewer operations	\$ 503	\$ 427
Capital projects	1,148	729
Sewer debt service	113	97
Garbage operations	260	253
Utility payroll reimbursements	1,133	1,094
Transfers out	<u>397</u>	<u>409</u>
<b>TOTAL DISBURSEMENTS</b>	<u>\$ 3,554</u>	<u>\$ 3,009</u>
Increase/decrease in cash basis net assets	\$ (37)	\$ 85
Cash basis net assets, beginning of year	<u>562</u>	<u>477</u>
Cash basis net assets, end of year	<u>\$ 525</u>	<u>\$ 562</u>

## **Individual Major Governmental Fund Analysis**

As the City of Winterset completed the year, its governmental funds reported a combined fund balance of about \$3,059,000 which includes \$2,009,000 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 \$1,050,000 in its governmental funds. The enterprise fund balances were \$525,000.

Within the governmental funds, the various funds of the City were affected differently. The General Fund had a slight increase of about \$9,000 from the previous year for an ending cash balance of \$245,000.

The various funds that make up the special revenue funds decreased by about \$19,000 in ending cash balance during the fiscal year. The Road Use Tax Fund decreased by about \$17,000, while the Trust and Agency Fund increased slightly by about \$32,000, the LMI Grant Fund increased by about \$95,000. The TIF special revenue funds ending balance increase by about \$10,000.

The Debt Service fund ending balance was about \$2.2 million, which includes about \$2 million held in escrow by a trustee for future bond refinancing. About \$3.5 million in escrow funds were disbursed by the trustee on bond redemption payments.

The Sewer Utility Fund cash balance decreased by about \$40,000 during the fiscal year. The Sewer Operating Fund balance increased by about \$17,000, while funds set aside in the Sewer Improvement fund decreased by about \$57,000.

The Garbage Fund balance showed an increase because in fund balance because revenues exceeded disbursements by about \$3,000.

## **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 2013 was approved by the City Council on March 57, 2012<sup>1</sup>, and later amended on April 15, 2013. 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, 2012 to June 30, 2013, as shown below:

Outstanding Debt at Year End  
(Expressed in Thousands)

	<u>Year Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
General obligation bonds	\$ 10,025	\$ 11,255
Other debt and leases	230	328
Sewer revenue bonds	1,670	839
Special assessment bonds	<u>375</u>	<u>510</u>
Total debt	<u>\$ 12,300</u>	<u>\$ 12,932</u>

The debt figures above do not include bonds which will be refunded over the next year. 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, 2013 was \$13,311,614. The City's combined general obligation and tax increment financing debt, not including funds held in escrow, total \$10,025,000. During the next few years, the bond payment schedules provide for \$1.2 million to \$1.4 million 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 2013-14 budget, tax rates, and fees that will be charged for various City activities. For the entire budget, appropriations are decreased by about 9% when bond escrow funds are not factored in. Property tax rates decreased by 1.5%, and tax revenues were projected to increase by 2.1%. Taxable property valuations for FY 2013-14 increased by about 3.8%. Because of debt refinancing efforts, property tax rates for debt service decreased by about 7.5%.

## **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 POSITION - CASH BASIS  
As of and for the Year Ended June 30, 2013

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	\$ 885,615	\$ 64,405	\$ 92,755	\$ -
Public works	603,432	617	497,025	-
Health and social services	4,500	-	-	-
Culture and recreation	1,057,969	266,479	15,657	-
Community/economic development	391,483	253	-	-
General government	405,879	12,473	-	-
Debt service	5,532,261	-	7,797	-
Capital projects	1,043,195	-	-	124,752
Business type activities	-	-	-	-
Total governmental activities	\$ 9,924,334	\$ 344,227	\$ 613,234	\$ 124,752
Business type activities:				
Sewer	\$ 1,763,649	\$ 1,149,012	\$ 585	\$ 71,078
Garbage	259,807	262,779	-	-
Utility reimbursement	1,133,177	-	-	-
Total business type activities	\$ 3,156,633	\$ 1,411,791	\$ 585	\$ 71,078
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 13,080,967</b>	<b>\$ 1,756,018</b>	<b>\$ 613,819</b>	<b>\$ 195,830</b>
COMPONENT UNITS:				
Friends of the Library	\$ 68,194	\$ -	\$ 78,411	\$ -
Winterset Municipal Utilities	\$ 7,169,183	\$ 6,973,803	\$ -	\$ -
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 POSITION</b>				
<b>CASH BASIS NET POSITION, BEGINNING OF YEAR</b>				
<b>CASH BASIS NET POSITION, END OF YEAR</b>				
<b>CASH BASIS NET POSITION</b>				
Restricted:				
Expendable:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
<b>TOTAL CASH BASIS NET POSITION</b>				

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

NET (DISBURSEMENTS) RECEIPTS AND  
CHANGES IN CASH BASIS NET POSITION

COMPONENT  
UNITS

Governmental Activities	Business Type Activities	Total	Friends of the Library	Winterset Municipal Utilities
\$ (728,455)	\$ -	\$ (728,455)	\$ -	\$ -
(105,790)	-	(105,790)	-	-
(4,500)	-	(4,500)	-	-
(775,833)	-	(775,833)	-	-
(391,230)	-	(391,230)	-	-
(393,406)	-	(393,406)	-	-
(5,524,464)	-	(5,524,464)	-	-
(918,443)	-	(918,443)	-	-
-	-	-	-	-
<u>\$ (8,842,121)</u>	<u>\$ -</u>	<u>\$ (8,842,121)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ (542,974)	\$ (542,974)	\$ -	\$ -
-	2,972	2,972	-	-
-	(1,133,177)	(1,133,177)	-	-
<u>\$ -</u>	<u>\$ (1,673,179)</u>	<u>\$ (1,673,179)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ (8,842,121)</u>	<u>\$ (1,673,179)</u>	<u>\$ (10,515,300)</u>	<u>\$ -</u>	<u>\$ -</u>
			<u>\$ 10,217</u>	
				<u>\$ (195,380)</u>
\$ 1,316,788	\$ -	\$ 1,316,788	\$ -	\$ -
1,055,065	-	1,055,065	-	-
557,359	-	557,359	-	-
491,348	-	491,348	-	-
26,729	-	26,729	-	-
204,000	-	204,000	-	-
332,958	-	332,958	-	-
1,825	-	1,825	-	7,883
310,000	900,400	1,210,400	-	-
77,227	1,133,177	1,210,404	-	431,476
19,642	-	19,642	-	-
396,820	(396,820)	-	-	-
<u>\$ 4,789,761</u>	<u>\$ 1,636,757</u>	<u>\$ 6,426,518</u>	<u>\$ -</u>	<u>\$ 439,359</u>
\$ (4,052,360)	\$ (36,422)	\$ (4,088,782)	\$ 10,217	\$ 243,979
7,111,719	561,950	7,673,669	936,758	3,488,603
<u>\$ 3,059,359</u>	<u>\$ 525,528</u>	<u>\$ 3,584,887</u>	<u>\$ 946,975</u>	<u>\$ 3,732,582</u>
\$ 135,326	\$ -	\$ 135,326		
16,075	-	16,075		
2,156,770	12,799	2,169,569		
506,066	318,313	824,379		
245,122	194,416	439,538		
<u>\$ 3,059,359</u>	<u>\$ 525,528</u>	<u>\$ 3,584,887</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, 2013

Exhibit B

	SPECIAL REVENUE		
General	Road Use Tax	Employee Benefits	
RECEIPTS:			
Property taxes	\$ 1,316,788	\$ -	\$ 557,359
Tax increment financing collections	-	-	-
Other city taxes	26,729	-	-
Licenses and permits	46,766	-	-
Use of money and property	1,678	-	-
Intergovernmental	352,646	497,025	-
Charges for service	183,975	-	-
Special assessments	-	-	-
Miscellaneous	124,177	-	51
Total receipts	\$ 2,052,759	\$ 497,025	\$ 557,410
DISBURSEMENTS:			
Operating:			
Public safety	\$ 677,909	\$ -	\$ 207,705
Public works	37,544	465,861	100,028
Health and social services	4,500	-	-
Culture and recreation	888,182	-	165,184
Community/economic development	62,134	-	-
General government	353,413	-	52,466
Debt service	-	-	-
Capital projects	-	-	-
Business type activities	-	-	-
Total disbursements	\$ 2,023,682	\$ 465,861	\$ 525,383
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 29,077	\$ 31,164	\$ 32,027
OTHER FINANCING SOURCES (USES):			
Sale of capital assets	\$ 19,642	\$ -	\$ -
Bond proceeds, net	-	-	-
Debt redeemed	-	-	-
Operating transfers in	-	-	-
Operating transfers out	(40,142)	(77,538)	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ (20,500)	\$ (77,538)	\$ -
NET CHANGE IN CASH BALANCES	\$ 8,577	\$ (46,374)	\$ 32,027
CASH BALANCES, BEGINNING OF YEAR	236,545	181,700	43,500
CASH BALANCES, END OF YEAR	\$ 245,122	\$ 135,326	\$ 75,527
CASH BASIS FUND BALANCES:			
Restricted for:			
Urban renewal purposes	\$ -	\$ -	\$ -
Debt service	-	-	-
Street	-	135,326	-
Other purposes	-	-	75,527
Unassigned	245,122	-	-
TOTAL CASH BASIS FUND BALANCES	\$ 245,122	\$ 135,326	\$ 75,527

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

<u>SPECIAL REVENUE</u>			
Urban Renewal Tax Increment	Debt Service	Other Nonmajor Governmental Funds	Total
\$ -	\$ 355,593	\$ -	\$ 2,229,740
1,055,065	-	-	1,055,065
-	-	332,958	359,687
-	-	-	46,766
-	7,797	147	9,622
-	-	110,852	960,523
-	-	-	183,975
-	135,755	1,000	136,755
-	17,253	21,897	163,378
<u>\$ 1,055,065</u>	<u>\$ 516,398</u>	<u>\$ 466,854</u>	<u>\$ 5,145,511</u>
\$ -	\$ -	\$ -	\$ 885,614
-	-	-	603,433
-	-	-	4,500
-	-	-	1,053,366
275,967	-	53,382	391,483
-	-	-	405,879
-	5,532,261	-	5,532,261
-	-	1,047,797	1,047,797
-	-	-	-
<u>\$ 275,967</u>	<u>\$ 5,532,261</u>	<u>\$ 1,101,179</u>	<u>\$ 9,924,333</u>
<u>\$ 779,098</u>	<u>\$ (5,015,863)</u>	<u>\$ (634,325)</u>	<u>\$ (4,778,822)</u>
\$ -	\$ -	\$ -	\$ 19,642
-	-	310,000	310,000
-	-	-	-
-	1,481,629	243,294	1,724,923
(769,299)	(36,155)	(404,969)	(1,328,103)
<u>\$ (769,299)</u>	<u>\$ 1,445,474</u>	<u>\$ 148,325</u>	<u>\$ 726,462</u>
\$ 9,799	\$ (3,570,389)	\$ (486,000)	\$ (4,052,360)
6,276	5,727,159	916,539	7,111,719
<u>\$ 16,075</u>	<u>\$ 2,156,770</u>	<u>\$ 430,539</u>	<u>\$ 3,059,359</u>
\$ 16,075	\$ -	\$ -	\$ 16,075
-	2,156,770	-	2,156,770
-	-	-	135,326
-	-	430,539	506,066
-	-	-	245,122
<u>\$ 16,075</u>	<u>\$ 2,156,770</u>	<u>\$ 430,539</u>	<u>\$ 3,059,359</u>

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

As of and for the Year Ended June 30, 2013

Exhibit C

	Enterprise			Total
	Sewer	Garbage	Utility Reimbursement	
<b>OPERATING RECEIPTS:</b>				
Use of money and property	\$ 585	\$ -	\$ -	\$ 585
Charge for service	1,149,012	262,779	-	1,411,791
Miscellaneous	-	-	1,133,177	1,133,177
Total operating receipts	<u>\$ 1,149,597</u>	<u>\$ 262,779</u>	<u>\$ 1,133,177</u>	<u>\$ 2,545,553</u>
<b>OPERATING DISBURSEMENTS:</b>				
Business type activities	<u>\$ 1,763,649</u>	<u>\$ 259,807</u>	<u>\$ 1,133,177</u>	<u>\$ 3,156,633</u>
<b>EXCESS (DEFICIENCY) OF OPERATING RECEIPTS (OVER) UNDER OPERATING DISBURSEMENTS</b>	<u>\$ (614,052)</u>	<u>\$ 2,972</u>	<u>\$ -</u>	<u>\$ (611,080)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Intergovernmental	\$ 71,078	\$ -	\$ -	\$ 71,078
Bond proceeds, net	900,400	-	-	900,400
Transfers in	-	-	-	-
Transfers out	<u>(396,820)</u>	<u>-</u>	<u>-</u>	<u>(396,820)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>\$ 574,658</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 574,658</u>
<b>NET CHANGE IN CASH BALANCES</b>	\$ (39,394)	\$ 2,972	\$ -	\$ (36,422)
<b>CASH BALANCES, BEGINNING OF YEAR</b>	<u>573,854</u>	<u>(11,904)</u>	<u>-</u>	<u>561,950</u>
<b>CASH BALANCES, END OF YEAR</b>	<u>\$ 534,460</u>	<u>\$ (8,932)</u>	<u>\$ -</u>	<u>\$ 525,528</u>
<b>CASH BASIS FUND BALANCES:</b>				
Reserved for debt service/maintenance	\$ 331,112	\$ -	\$ -	\$ 331,112
Unreserved	<u>203,348</u>	<u>(8,932)</u>	<u>-</u>	<u>194,416</u>
Total cash basis fund balances	<u>\$ 534,460</u>	<u>\$ (8,932)</u>	<u>\$ -</u>	<u>\$ 525,528</u>

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

CITY OF WINTERSET, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

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) discretely presented component units. 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.

Discretely Presented Component Units

The Winterset Municipal Utilities 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 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. The Utilities fiscal year ends on December 31, and the accompanying financial statements include financial information for its fiscal year ended December 31, 2012. Complete financial statements for the Utilities can be obtained from the Utilities offices.

CITY OF WINTERSET, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

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 Cash Basis Statement of Activities and Net Position 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 Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management which can be removed or modified.

CITY OF WINTERSET, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

The Cash Basis Statement of Activities and Net Position 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, 2013

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 Other Information.

Note 2. Cash and Pooled Investments

The City's deposits in banks at June 30, 2013, 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, 2013

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 June 30,	General Obligation Bonds		Special Assessment Capital Loan	
	Principal	Interest	Principal	Interest
2014	\$ 1,375,000	\$ 275,745	\$ 30,000	\$ 4,790
2015	1,655,000	254,744	30,000	3,000
2016	1,830,000	226,473	20,000	1,180
2017	1,650,000	184,171	-	-
2018	1,430,000	141,483	-	-
2019-2023	3,880,000	265,669	-	-
2024-2028	195,000	6,728	-	-
2029-2030	-	-	-	-
<b>TOTAL</b>	<b>\$ 12,015,000</b>	<b>\$ 1,355,013</b>	<b>\$ 80,000</b>	<b>\$ 8,970</b>

CITY OF WINTERSET, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

Note 3. Bonds and Notes Payable (continued)

Year Ending June 30,	Special Assessment Bonds		State Revolving Loans	
	Principal	Interest	Principal	Interest
2014	\$ 95,000	\$ 13,105	\$ 118,000	\$ 44,038
2015	95,000	8,990	122,000	41,273
2016	50,000	4,805	127,000	38,413
2017	55,000	2,530	131,000	35,440
2018	-	-	136,000	32,373
2019-2023	-	-	504,000	116,250
2024-2028	-	-	415,000	55,680
2029-2030	-	-	117,000	4,290
<b>TOTAL</b>	<b>\$ 295,000</b>	<b>\$ 29,430</b>	<b>\$ 1,670,000</b>	<b>\$ 367,757</b>

Year Ending June 30,	Other Debt		Total	
	Principal	Interest	Principal	Interest
2014	\$ 79,906	\$ 1,271	\$ 1,697,906	\$ 338,949
2015	50,000	-	1,952,000	308,007
2016	50,000	-	2,077,000	270,871
2017	50,000	-	1,886,000	222,141
2018	-	-	1,566,000	173,856
2019-2023	-	-	4,384,000	381,919
2024-2028	-	-	610,000	62,408
2029-2030	-	-	117,000	4,290
<b>TOTAL</b>	<b>\$ 229,906</b>	<b>\$ 1,271</b>	<b>\$ 14,289,906</b>	<b>\$ 1,762,441</b>

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, 2013

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 5.78% of their annual salary and the City is required to contribute 8.67%. 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, 2013, 2012, and 2011 was \$188,373, \$173,424, and \$151,152 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, 2013, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 65,075
Sick leave	<u>82,237</u>
Total	<u>\$147,312</u>

This liability has been computed based on rates of pay as of June 30, 2013.

CITY OF WINTERSET, IOWA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2013

Note 6. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt service	General	\$ 40,142
	Special revenue:	
	Tax increment financing	692,844
	Local option tax	275,094
	Road Use	76,730
	Enterprise:	
	Sewer	<u>396,819</u>
		<u>\$1,481,629</u>
Special revenue:		
LMI grant fund	Special revenue:	
	Tax increment financing	<u>\$ 76,455</u>
Housing project	Special revenue:	
	LMI grant fund	<u>\$ 16,054</u>
Capital projects:		
Sewer Improvement	Capital Projects:	
	Paving Project	\$ 23,753
	Debt Service	<u>36,155</u>
		<u>\$ 59,908</u>
Downtown Improvement	Special Revenue:	
	Road Use	<u>\$ 808</u>
Housing Sewer	Special Revenue:	
	LMI grant fund	<u>\$ 15,000</u>
Park Improvement	Special Revenue:	
	Local option tax	<u>\$ 75,069</u>
Total		<u><u>\$1,724,923</u></u>

CITY OF WINTERSET, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

Note 6. Interfund Transfers (continued)

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.

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, 2013

Note 9. Capital Leases (continued)

	Year Ended June 30,		
Total future minimum lease payments:	2014		\$ 31,177
			\$ 31,177
Less amount representing interest			<u>(1,271)</u>
Present value of future minimum lease Payments			<u>\$ 29,906</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:	2014		\$ 50,000
	2015		50,000
	2016		50,000
	2017		<u>50,000</u>
			\$ 200,000
Less amount representing interest			<u>---</u>
Present value of future minimum lease Payments			<u>\$ 200,000</u>

Note 10. Deficit Balance

The Garbage Fund had a deficit balance of \$8,932 at June 30, 2013. The deficit balance was a result of costs in excess of revenues generated.

Note 11. Subsequent Events

In August 2013, the City was approved for a grant in the amount of \$92,770 for upgrading of traffic lights within the City.

Management has evaluated subsequent events through December 19, 2013, the date on which the financial statements were available to be issued.

## OTHER 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, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Net
RECEIPTS:			
Property tax	\$ 2,229,740	\$ -	\$ 2,229,740
Tax increment financing collections	1,055,065	-	1,055,065
Other city tax	359,687	-	359,687
Licenses and permits	46,766	-	46,766
Use of money and property	9,622	585	10,207
Intergovernmental	960,523	71,078	1,031,601
Charges for service	183,975	1,411,791	1,595,766
Special assessments	136,755	-	136,755
Miscellaneous	163,378	1,133,177	1,296,555
<b>TOTAL RECEIPTS</b>	<b>\$ 5,145,511</b>	<b>\$ 2,616,631</b>	<b>\$ 7,762,142</b>
DISBURSEMENTS:			
Public safety	\$ 885,614	\$ -	\$ 885,614
Public works	603,433	-	603,433
Health and social services	4,500	-	4,500
Culture and recreation	1,053,366	-	1,053,366
Community and economic development	391,483	-	391,483
General government	405,879	-	405,879
Debt service	5,532,261	-	5,532,261
Capital projects	1,047,797	-	1,047,797
Business type activities	-	3,156,633	3,156,633
<b>TOTAL DISBURSEMENTS</b>	<b>\$ 9,924,333</b>	<b>\$ 3,156,633</b>	<b>\$ 13,080,966</b>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (4,778,822)	\$ (540,002)	\$ (5,318,824)
OTHER FINANCING SOURCES, NET	726,462	503,580	1,230,042
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	\$ (4,052,360)	\$ (36,422)	\$ (4,088,782)
BALANCE, BEGINNING OF YEAR	7,111,719	561,950	7,673,669
BALANCE, END OF YEAR	\$ 3,059,359	\$ 525,528	\$ 3,584,887

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
\$ 2,203,650	\$ 2,203,650	\$ 26,090
1,023,844	1,023,844	31,221
394,176	394,176	(34,489)
33,275	33,275	13,491
23,378	23,378	(13,171)
862,166	1,118,544	(86,943)
1,696,000	1,696,000	(100,234)
130,000	130,000	6,755
1,323,333	1,323,333	(26,778)
<u>\$ 7,689,822</u>	<u>\$ 7,946,200</u>	<u>\$ (184,058)</u>
\$ 906,822	\$ 906,822	\$ 21,208
717,319	597,319	(6,114)
9,169	9,169	4,669
1,105,418	1,105,418	52,052
387,570	387,570	(3,913)
412,335	412,335	6,456
5,110,748	5,533,438	1,177
655,400	1,225,400	177,603
3,039,240	3,639,240	482,607
<u>\$ 12,344,021</u>	<u>\$ 13,816,711</u>	<u>\$ 735,745</u>
\$ (4,654,199)	\$ (5,870,511)	\$ 551,687
280,000	1,210,000	20,042
\$ (4,374,199)	\$ (4,660,511)	<u>\$ 571,729</u>
7,766,106	7,673,648	
<u>\$ 3,391,907</u>	<u>\$ 3,013,137</u>	

CITY OF WINTERSET, IOWA  
NOTES TO OTHER INFORMATION – BUDGETARY REPORTING  
June 30, 2013

The budgetary comparison is presented as Other 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 \$1,472,690. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted for the Public Works and Community and Economic Development functions after the budget amendment.

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, 2013

Schedule 1

	Special Revenue				
	Local Option Tax	LMI Grant Fund	Housing Project	Park and Recreation Improvement Project	Police Special Projects
<b>RECEIPTS:</b>					
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increment financing collections	-	-	-	-	-
Other city tax	332,958	-	-	-	-
Licenses and permits	-	-	-	-	-
Uses of money and property	147	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Special assessments	-	-	-	-	-
Miscellaneous	-	-	253	8,534	210
<b>TOTAL RECEIPTS</b>	<b>\$ 333,105</b>	<b>\$ -</b>	<b>\$ 253</b>	<b>\$ 8,534</b>	<b>\$ 210</b>
<b>DISBURSEMENTS:</b>					
Operating:					
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -
Public works	-	-	-	-	-
Health and social services	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community and economic development	-	36,597	16,785	-	-
General government	-	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	4,602	-
<b>TOTAL DISBURSEMENTS</b>	<b>\$ -</b>	<b>\$ 36,597</b>	<b>\$ 16,785</b>	<b>\$ 4,602</b>	<b>\$ -</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>\$ 333,105</b>	<b>\$ (36,597)</b>	<b>\$ (16,532)</b>	<b>\$ 3,932</b>	<b>\$ 210</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Sale of capital assets	\$ -	\$ -	\$ -	\$ -	\$ -
Bond proceeds, net	-	-	-	-	-
Anticipatory notes issued	-	-	-	-	-
Anticipatory notes redeemed	-	-	-	-	-
Operating transfers in	-	76,455	16,054	-	-
Operating transfers out	(350,162)	(31,054)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ (350,162)</b>	<b>\$ 45,401</b>	<b>\$ 16,054</b>	<b>\$ -</b>	<b>\$ -</b>

See accompanying independent auditor's report.

Capital Projects

Housing	Sidewalk Project	Paving Project	Truck Equipment Project	Downtown Improvement Project	Storm Sewer Project	Park Improvement Project	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	332,958
-	-	-	-	-	-	-	147
104,052	-	-	-	-	-	6,800	110,852
-	-	-	-	-	-	-	-
-	1,000	-	-	-	-	-	1,000
-	-	-	-	-	-	12,900	21,897
<u>\$ 104,052</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,700</u>	<u>\$ 466,854</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	53,382
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
119,052	1,830	9,179	593,507	808	235,790	83,029	1,047,797
<u>\$ 119,052</u>	<u>\$ 1,830</u>	<u>\$ 9,179</u>	<u>\$ 593,507</u>	<u>\$ 808</u>	<u>\$ 235,790</u>	<u>\$ 83,029</u>	<u>\$ 1,101,179</u>
<u>\$ (15,000)</u>	<u>\$ (830)</u>	<u>\$ (9,179)</u>	<u>\$(593,507)</u>	<u>\$ (808)</u>	<u>\$(235,790)</u>	<u>\$ (63,329)</u>	<u>\$ (634,325)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	310,000	-	-	-	310,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
15,000	-	-	-	808	59,908	75,069	243,294
-	-	(23,753)	-	-	-	-	(404,969)
<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ (23,753)</u>	<u>\$ 310,000</u>	<u>\$ 808</u>	<u>\$ 59,908</u>	<u>\$ 75,069</u>	<u>\$ 148,325</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, 2013

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	\$ (17,057)	\$ 8,804	\$ (478)	\$ 3,932	\$ 210
CASH BALANCES, BEGINNING OF YEAR	<u>100,008</u>	<u>213,286</u>	<u>10,052</u>	<u>13,747</u>	<u>1,754</u>
CASH BALANCES, END OF YEAR	<u>\$ 82,951</u>	<u>\$ 222,090</u>	<u>\$ 9,574</u>	<u>\$ 17,679</u>	<u>\$ 1,964</u>
CASH BASIS FUND BALANCES:					
Restricted for:					
Other purposes	\$ 82,951	\$ 222,090	\$ 9,574	\$ 17,679	\$ 1,964
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$ 82,951</u>	<u>\$ 222,090</u>	<u>\$ 9,574</u>	<u>\$ 17,679</u>	<u>\$ 1,964</u>

See accompanying independent auditor's report.

Capital Projects

<u>Housing</u>	<u>Sidewalk Project</u>	<u>Paving Project</u>	<u>Truck Equipment Project</u>	<u>Downtown Improvement Project</u>	<u>Storm Sewer Project</u>	<u>Park Improvement Project</u>	<u>Total</u>
\$ -	\$ (830)	\$ (32,932)	\$ (283,507)	\$ -	\$ (175,882)	\$ 11,740	\$ (486,000)
<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>
<u>\$ -</u>	<u>\$ 9,699</u>	<u>\$ -</u>	<u>\$ 57,604</u>	<u>\$ -</u>	<u>\$ 12,364</u>	<u>\$ 16,614</u>	<u>\$ 430,539</u>
\$ -	\$ 9,699	\$ -	\$ 57,604	\$ -	\$ 12,364	\$ 16,614	\$ 430,539
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 9,699</u>	<u>\$ -</u>	<u>\$ 57,604</u>	<u>\$ -</u>	<u>\$ 12,364</u>	<u>\$ 16,614</u>	<u>\$ 430,539</u>

CITY OF WINTERSET, IOWA  
 SCHEDULE OF INDEBTEDNESS  
 Year Ended June 30, 2013

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount Originally Issued</u>
Schedule 2			
General obligation bonds:			
Local option sales tax	December 15, 2004	2.45-4.95%	\$ 2,700,000
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
Street trucks	July 5, 2012	.45-.80%	310,000
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

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>
\$ 2,035,000	\$ -	\$ 2,035,000	\$ -	\$ 44,660	\$ -
1,185,000	-	1,185,000	-	49,348	-
845,000	-	35,000	810,000	34,618	-
200,000	-	65,000	135,000	6,281	-
1,330,000	-	55,000	1,275,000	59,585	-
3,405,000	-	545,000	2,860,000	81,623	-
2,430,000		250,000	2,180,000	53,078	
4,860,000		340,000	4,520,000	66,424	
-	310,000	75,000	235,000	1,730	-
<u>\$16,290,000</u>	<u>\$ 310,000</u>	<u>\$ 4,585,000</u>	<u>\$ 12,015,000</u>	<u>\$ 397,347</u>	<u>\$ -</u>
\$ 25,000	\$ -	\$ 5,000	\$ 20,000	\$ 1,630	\$ -
80,000	-	20,000	60,000	4,600	-
20,000	-	20,000	-	840	-
<u>\$ 125,000</u>	<u>\$ -</u>	<u>\$ 45,000</u>	<u>\$ 80,000</u>	<u>\$ 7,070</u>	<u>\$ -</u>
\$ 130,000	\$ -	\$ 40,000	\$ 90,000	\$ 5,465	\$ -
255,000	-	50,000	205,000	11,480	-
<u>\$ 385,000</u>	<u>\$ -</u>	<u>\$ 90,000</u>	<u>\$ 295,000</u>	<u>\$ 16,945</u>	<u>\$ -</u>

CITY OF WINTERSET, IOWA  
 SCHEDULE OF INDEBTEDNESS  
 Year Ended June 30, 2013

Schedule 2  
 (continued)

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount Originally Issued</u>
Revenue notes:			
Sewer improvements	June 15, 2007	4.65-4.70%	350,000
State revolving loans:			
Sewer refund bonds, Series 2000A	January 17, 2000	1.75%	\$ 225,951
Sewer refund bonds, Series 2000B	January 17, 2000	1.75%	874,049
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>
\$ 350,000	\$ -	\$ 350,000	\$ -	\$ 16,313	\$ -
<u>\$ 350,000</u>	<u>\$ -</u>	<u>\$ 350,000</u>	<u>\$ -</u>	<u>\$ 16,313</u>	<u>\$ -</u>
\$ 112,000	\$ -	\$ 12,000	\$ 100,000	\$ 3,360	\$ -
432,000	-	47,000	385,000	12,960	-
294,600	900,400	10,000	1,185,000	23,318	-
<u>\$ 838,600</u>	<u>\$ 900,400</u>	<u>\$ 69,000</u>	<u>\$ 1,670,000</u>	<u>\$ 39,638</u>	<u>\$ -</u>
\$ 58,593	\$ -	\$ 28,687	\$ 29,906	\$ 2,490	\$ -
19,659	-	19,659	-	604	-
250,000	-	50,000	200,000	-	-
<u>\$ 328,252</u>	<u>\$ -</u>	<u>\$ 98,346</u>	<u>\$ 229,906</u>	<u>\$ 3,094</u>	<u>\$ -</u>

CITY OF WINTERSSET, IOWA  
 BOND AND OTHER DEBT MATURITIES  
 JUNE 30, 2013

Schedule 3

Year Ending June 30,	General Obligation Bonds					
	Annual Appropriation					
	Street Improvement		Park Improvement		Street Improvement	
	Issued June 15, 2008		Issued June 15, 2008		Issued October 15, 2008	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2014	4.35	\$ 35,000	3.75	\$ 65,000	3.90	\$ 60,000
2015	4.35	75,000	3.75	70,000	4.25	130,000
2016	4.40	165,000	-	-	4.45	255,000
2017	3.90	170,000	-	-	4.55	265,000
2018	3.90	180,000	-	-	4.60	275,000
2019	4.00	185,000	-	-	4.70	290,000
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
Total		<u>\$ 810,000</u>		<u>\$ 135,000</u>		<u>\$ 1,275,000</u>

Year Ending June 30,	General Obligation Bonds				
	Corporate Purpose and Refunding		Street Trucks		Total
	Issued March 29, 2012		Issued July 5, 2012		
	Interest		Interest		
Rates	Amount	Rates	Amount		
2014	.55	\$ 340,000	.55	\$ 75,000	\$ 1,375,000
2015	.65	560,000	.65	80,000	1,655,000
2016	.80	475,000	.80	80,000	1,830,000
2017	1.00	540,000	-	-	1,650,000
2018	1.10	530,000	-	-	1,430,000
2019	1.30	475,000	-	-	1,260,000
2020	1.55	500,000	-	-	820,000
2021	1.75	510,000	-	-	840,000
2022	1.95	470,000	-	-	655,000
2023	2.15	120,000	-	-	305,000
2024	-	-	-	-	195,000
		<u>\$ 4,520,000</u>		<u>\$ 235,000</u>	<u>\$ 12,015,000</u>

See accompanying independent auditor's report.

General Obligation Bonds

Corporate Purpose and Refunding		Corporate Purpose and Refunding	
Issued April 8, 2010		Issued June 23, 2011	
Interest		Interest	
Rates	Amount	Rates	Amount
1.70	\$ 545,000	1.20	\$ 255,000
2.10	485,000	1.50	255,000
2.50	590,000	1.70	265,000
3.00	510,000	2.00	165,000
3.10	280,000	2.50	165,000
3.30	145,000	2.50	165,000
3.45	150,000	2.50	170,000
3.60	155,000	2.95	175,000
	-	3.10	185,000
	-	3.25	185,000
	-	3.45	195,000
	\$ 2,860,000		\$2,180,000
	\$ 2,860,000		\$2,180,000

CITY OF WINTERSET, IOWA  
 BOND AND OTHER DEBT MATURITIES  
 JUNE 30, 2013

Schedule 3  
 (Continued)

Year Ending June 30,	State Revolving Loans						Total
	Sewer Revenue Bonds Series 2000A		Sewer Revenue Bonds Series 2000B		Sewer Revenue Bonds Series 2012		
	Issued January 17, 2000		Issued January 17, 2000		Issued June 15, 2012		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2014	1.75	\$ 13,000	1.75	\$ 49,000	3.00	\$ 56,000	\$ 118,000
2015	1.75	13,000	1.75	51,000	3.00	58,000	122,000
2016	1.75	14,000	1.75	53,000	3.00	60,000	127,000
2017	1.75	14,000	1.75	55,000	3.00	62,000	131,000
2018	1.75	15,000	1.75	57,000	3.00	64,000	136,000
2019	1.75	15,000	1.75	59,000	3.00	66,000	140,000
2020	1.75	16,000	1.75	61,000	3.00	68,000	145,000
2021					3.00	71,000	71,000
2022					3.00	73,000	73,000
2023					3.00	75,000	75,000
2024					3.00	78,000	78,000
2025					3.00	80,000	80,000
2026					3.00	83,000	83,000
2027					3.00	86,000	86,000
2028					3.00	88,000	88,000
2029					3.00	91,000	91,000
2030					3.00	26,000	26,000
Total		<u>\$ 100,000</u>		<u>\$ 385,000</u>		<u>\$ 1,185,000</u>	<u>\$ 1,670,000</u>

See accompanying independent auditor's report.

CITY OF WINTERSET, IOWA  
 BOND AND OTHER DEBT MATURITIES  
 JUNE 30, 2013

Schedule 3  
 (continued)

Year Ending June 30,	Special Assessment Capital Loan Notes					Total
	Street Improvement		Paving Project			
	Issued April 1, 2000		Issued May 1, 2001			
	Interest Rates	Amount	Interest Rates	Amount		
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>\$ 20,000</u>		<u>\$ 60,000</u>	<u>\$ 80,000</u>	

Year Ending June 30,	Special Assessment Bonds					Total
	Street Improvements		Street Improvements			
	Issued June 1, 2005		Issued June 15, 2007			
	Interest Rates	Amount	Interest Rates	Amount		
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>\$ 90,000</u>		<u>\$ 205,000</u>	<u>\$ 295,000</u>	

See accompanying independent auditor's report.

CITY OF WINTERSET, IOWA  
 BOND AND OTHER DEBT MATURITIES  
 JUNE 30, 2013

Schedule 3  
 (continued)

Year Ending June 30,	Other Debt				Total
	Equipment Lease		Equipment Lease		
	Issued June 21, 2005		Issued November 20, 2006		
	Interest Rates	Amount	Interest Rates	Amount	
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
		\$ 29,906		\$ 200,000	\$ 229,906

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 Nine Years

Schedule 4

	<u>2013</u>	<u>2012</u>	<u>2011</u>
RECEIPTS:			
Property tax	\$ 2,229,740	\$ 2,260,712	\$ 2,208,640
Tax incremental financing collections	1,055,065	1,026,990	1,103,473
Other city tax	359,687	365,294	355,836
Licenses and permits	46,766	46,013	39,302
Uses of money and property	9,622	24,265	16,330
Intergovernmental	960,523	840,987	973,494
Charges for services	183,975	226,139	206,378
Special assessments	136,755	167,978	176,708
Miscellaneous	163,378	160,714	143,483
	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL	<u>\$ 5,145,511</u>	<u>\$ 5,119,092</u>	<u>\$ 5,223,644</u>
DISBURSEMENTS:			
Operating:			
Public safety	\$ 885,614	\$ 877,143	\$ 877,143
Public works	603,433	545,014	545,014
Health and social services	4,500	5,300	5,300
Culture and recreation	1,053,366	1,099,506	1,099,506
Community and economic development	391,483	370,254	370,254
General government	405,879	419,350	419,350
Debt service	5,532,261	3,494,626	3,494,626
Capital projects	1,047,797	290,246	290,246
Business type activities	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL	<u>\$ 9,924,333</u>	<u>\$ 7,101,439</u>	<u>\$ 7,101,439</u>

See accompanying independent auditor's report.

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 2,135,381	\$ 2,145,121	\$ 1,930,397	\$1,878,135	\$1,856,315	\$ 1,815,026
1,003,062	750,648	863,628	801,663	769,518	713,047
308,647	325,975	354,607	322,460	311,528	210,607
21,738	40,075	33,710	27,486	28,568	29,831
17,135	16,996	81,758	83,292	123,163	55,493
781,742	739,943	747,580	711,213	730,438	791,715
208,278	188,611	183,557	182,917	162,774	112,847
820,527	222,843	254,420	170,804	251,903	208,722
168,197	208,042	211,335	375,817	292,992	261,777
<u>\$ 5,464,707</u>	<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>
\$ 831,732	\$ 826,361	\$ 776,276	\$ 907,983	\$ 714,439	\$ 758,943
507,351	580,460	561,060	530,304	507,333	507,548
4,500	4,500	4,500	3,000	3,000	3,000
1,002,727	1,052,825	963,149	878,881	827,767	697,301
300,625	254,724	260,223	337,126	294,662	384,100
396,016	396,990	385,613	410,333	353,632	338,534
2,859,284	1,648,843	2,260,080	1,314,041	1,412,611	1,079,456
1,298,596	1,653,750	1,263,763	4,107,189	3,945,896	1,491,659
-	-	965	-	750	372
<u>\$ 7,200,831</u>	<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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Winterset, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Winterset, Iowa's basic financial statements and have issued our report thereon dated December 19, 2013. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Winterset, Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Winterset, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Winterset, Iowa's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Winterset, Iowa's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which 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, 2013 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 Response to Findings**

City of Winterset, Iowa's response to the findings identified in our audit is described in the accompanying Schedule of Findings. City of Winterset, Iowa's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

December 19, 2013

CITY OF WINTERSET, IOWA  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2013

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

REPORTABLE CONDITIONS

2013-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:

2013-1     Certified Budget – Disbursements during the year ended June 30, 2013, exceeded the amounts budgeted in the function prior to amendment and the Public Works and Community and Economic Development functions 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 of unforeseen circumstances that come up during the budget year. In the future, the City will make a concerted effort to amend the budget in a timely manner.

Conclusion – Response acknowledged.

- 2013-2 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.
- 2013-3 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- 2013-4 Business Transactions – No business transactions between the City and City officials or employees were disclosed.
- 2013-5 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.
- 2013-6 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- 2013-7 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.
- 2013-8 Revenue Bonds and Notes - The City has complied with the revenue bond and note resolutions.