

CITY OF WINTERSET, IOWA

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

Year Ended June 30, 2009

CITY OF WINTERSET, IOWA

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CITY OF WINTERSET, IOWA
CITY OFFICIALS
June 30, 2009

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-----------------|------------------------------|---------------------|
| James Olson | Mayor | January 1, 2010 |
| Howard Harrell | Council Member/Mayor Pro tem | January 1, 2012 |
| Kirk Macumber | Council Member | January 1, 2012 |
| Edmund Seaward | Council Member | January 1, 2010 |
| Philip Macumber | Council Member | January 1, 2010 |
| Scott Stover | Council Member | January 1, 2012 |
| Mark Nitchals | City Administrator | Indefinite |
| John Casper | Attorney | Indefinite |

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Winterset, Iowa, as of and for the year ended June 30, 2009, 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, 2009, 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 May 28, 2009.

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, 2009, 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 February 18, 2010, 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 27 through 28 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 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, 2008 (none of which are presented herein) were audited by us and unqualified opinions were expressed on those primary government financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the primary government financial statements. Such information, except for that portion marked "unaudited" (Schedule 5) on which we express no opinion, has been subjected to the auditing procedures applied in our audits of the primary government financial statements and, in our opinion, is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.

Drapen, Smidgrasso, Mickelson & Co., P.C.

February 18, 2010

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, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2009 Financial Highlights

Revenues of the City increased by about 5.2% compared to the previous year. Disbursements of the City decreased by about 2.3% compared to the previous year. During the last three months of the previous fiscal year, the City began operations of a new enterprise, residential garbage collection, and this new enterprise continued for all of fiscal year 2009. As a result, it makes it difficult to make comparisons between a partial year operation and an entire year operation. However, if you factor out the garbage operation, a more true year-to-year comparison emerges. Without the garbage enterprise revenues and expenditures included, the other City revenues grew by about 2.7% and expenditures actually decreased slightly by about -0.1%

Using This Annual Report

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

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

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

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

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

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

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

Basis of Accounting

The City maintains its financial records on the 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. This activity is financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

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

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

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

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

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

Government-Wide Financial Analysis

The City's cash balance for governmental activities as of June 30, 2008 was \$1,370,000. The cash balance at the end of FY 2009 was \$988,000, a decrease of about \$382,000.

The proprietary fund ending balance decreased from \$399,000 to about \$365,000, a decrease of \$34,000. Overall, the fund balance of the City decreased by about \$416,000.

The analysis that follows focuses on the cash basis net assets for FY 2009 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>2009</u> | <u>2008</u> |
| RECEIPTS AND TRANSFERS: | | |
| Property tax | \$ 2,145 | \$ 1,930 |
| TIF revenue | 751 | 864 |
| Other City taxes | 326 | 355 |
| License and permits | 40 | 34 |
| Use of money and property | 17 | 82 |
| Intergovernmental | 740 | 747 |
| Charges for service | 188 | 183 |
| Special assessments | 223 | 254 |
| Miscellaneous | 208 | 211 |
| Sale of assets | 2 | 4 |
| Bond proceeds | <u>1,396</u> | <u>1,181</u> |
| TOTAL RECEIPTS AND TRANSFERS | <u>\$ 6,036</u> | <u>\$ 5,845</u> |

| | Year Ended June 30, | |
|--|---------------------|-----------------|
| | <u>2009</u> | <u>2008</u> |
| EXPENDITURES AND TRANSFERS OUT: | | |
| Public safety | \$ 826 | \$ 776 |
| Public works | 580 | 561 |
| Health and social services | 4 | 4 |
| Culture and recreation | 1,053 | 963 |
| Community and economic development | 255 | 260 |
| General government | 397 | 386 |
| Debt service | 1,649 | 2,260 |
| Capital projects | 1,654 | 1,264 |
| Business type activities | --- | 1 |
| TOTAL DISBURSEMENTS | <u>\$ 6,418</u> | <u>\$ 6,475</u> |
| | | |
| Increase (decrease) in cash basis net assets | \$ (382) | \$ (630) |
| | | |
| Cash basis net assets, beginning of year | <u>1,370</u> | <u>2,000</u> |
| | | |
| Cash basis net assets, end of year | <u>\$ 988</u> | <u>\$ 1,370</u> |

The analysis that follows focuses on the cash basis net assets for FY 2009 as compared to the previous year for the proprietary enterprise funds.

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

| | Year Ended June 30, | |
|--|---------------------|-----------------|
| | <u>2009</u> | <u>2008</u> |
| RECEIPTS: | | |
| Use of money and property | \$ 3 | \$ 18 |
| Intergovernmental: | | |
| Charges for service | 1,236 | 994 |
| Miscellaneous | 5 | 1 |
| Utility reimbursements | <u>1,064</u> | <u>1,067</u> |
| TOTAL RECEIPTS | <u>\$ 2,304</u> | <u>\$ 2,080</u> |
| | | |
| EXPENDITURES | | |
| Sewer operations | \$ 488 | \$ 393 |
| Capital projects | 97 | 131 |
| Sewer debt service | 454 | 457 |
| Garbage operations | 239 | 37 |
| Utility payroll reimbursements | <u>1,060</u> | <u>1,067</u> |
| TOTAL DISBURSEMENTS | <u>\$ 2,338</u> | <u>\$ 2,085</u> |
| | | |
| Increase/decrease in cash basis net assets | \$ (34) | \$ (5) |
| Cash basis net assets, beginning of year | <u>399</u> | <u>404</u> |
| | | |
| Cash basis net assets, end of year | <u>\$ 365</u> | <u>\$ 399</u> |

Individual Major Governmental Fund Analysis

As the City of Winterset completed the year, its governmental funds reported a combined fund balance of \$988,000 and an enterprise fund balance of about \$365,000.

Within the governmental funds, the various funds of the City were affected differently. The General Fund saw a decrease of \$52,271 from the prior year to an ending cash balance of \$256,148.

The various funds that make up the special revenue funds realized a decrease in cash balance of \$113,432 during the fiscal year. Special revenue funds include the Road Use Tax Fund, the Trust and Agency Fund, and the Local Option Sales Tax Fund. The TIF special revenue funds experienced a fund balance decrease of \$92,540.

The Debt Service fund cash balance increased by \$1,725 to an ending balance of about \$194,543 during the fiscal year.

The Sewer Utility Fund cash balance decreased by about \$34,000 during this fiscal year.

The Garbage Fund balance showed a nearly even cash flow during the first full year of operation.

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 2009 was approved by the City Council on March 3, 2008, and later amended on April 6, 2009. The budget amendment was necessary primarily because of increased debt service costs.

Debt Administration

The City's total debt increased by \$65,000 from June 30, 2008 to June 30, 2009, as shown below:

Outstanding Debt at Year End
(Expressed in Thousands)

| | <u>Year Ended June 30,</u> | |
|---|----------------------------|-----------------|
| | <u>2009</u> | <u>2008</u> |
| General obligation bonds/notes | \$ 7,375 | \$ 6,505 |
| Urban renewal tax increment financing revenue bonds | 2,380 | 2,580 |
| Sewer revenue bonds | 2,358 | 2,708 |
| Special assessment bonds | 910 | 1,055 |
| Local option sales tax bond | <u>2,380</u> | <u>2,490</u> |
| Total debt | <u>\$15,403</u> | <u>\$15,338</u> |

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, 2009 was \$13,019,318. The City's combined general obligation and tax increment financing debt is \$9,755,000. During future years, the bond payment schedules provide for \$650,000 to \$1,000,000 in bonds to be retired, which will help restore debt capacity. During FY 2009-10 the City will issue a refunding bond to refinance six existing bonds. Interest rates will be about half on the new bond compared to the existing bonds that are being refinanced, resulting in reduced annual debt service payments.

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 2010 budget, tax rates, and fees that will be charged for various City activities. The recent downturn in the national economy had an effect on the state and local economy. Because of the close proximity of Winterset to Des Moines metro area, the local economy is tied very closely to Des Moines metro area economy.

These indicators were taken into account when adopting the budget for fiscal year 2010-11. For the entire budget, appropriations are decreased by about 9.8%. Revenues for FY 2011 are projected to decrease by about 11.6%. Property tax revenues are projected to increase by 3.7% even though tax rate stayed the same. Taxable property valuations increased by 3.5% for FY2009. If these estimates are realized, the City's budgeted cash balance is expected to remain virtually the same, decreasing by only \$20,000 by the close of FY 2010-11.

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, 2009

Exhibit A

| | Disbursements | PROGRAM RECEIPTS | | |
|---|----------------------------|----------------------------|--|---|
| | | Charges For Services | Operating Grants Contributions, and Restricted Interest | Capital Grants Contributions and Restricted Interest |
| FUNCTIONS/PROGRAMS: | | | | |
| Governmental activities: | | | | |
| Public safety | \$ 826,361 | \$ 57,109 | \$ 80,408 | \$ - |
| Public works | 580,460 | - | 407,252 | - |
| Health and social services | 4,500 | - | - | - |
| Culture and recreation | 1,052,825 | 275,112 | 10,197 | - |
| Community/economic development | 254,723 | 6,376 | - | - |
| General government | 396,990 | 13,495 | - | - |
| Debt service | 1,648,843 | - | - | - |
| Capital projects | 1,653,750 | - | - | 45,536 |
| Business type activities | - | - | - | - |
| Total governmental activities | <u>\$ 6,418,452</u> | <u>\$ 352,092</u> | <u>\$ 497,857</u> | <u>\$ 45,536</u> |
| Business type activities: | | | | |
| Sewer | \$ 1,039,038 | \$ 994,129 | \$ 3,276 | \$ - |
| Garbage | 238,491 | 241,504 | - | - |
| Utility reimbursement | 1,060,259 | - | - | - |
| Total business type activities | <u>\$ 2,337,788</u> | <u>\$ 1,235,633</u> | <u>\$ 3,276</u> | <u>\$ -</u> |
| TOTAL PRIMARY GOVERNMENT | <u><u>\$ 8,756,240</u></u> | <u><u>\$ 1,587,725</u></u> | <u><u>\$ 501,133</u></u> | <u><u>\$ 45,536</u></u> |
| COMPONENT UNIT: | | | | |
| Friends of the Library | <u>\$ 20,800</u> | <u>\$ -</u> | <u>\$ 26,966</u> | <u>\$ 300,000</u> |
| GENERAL RECEIPTS: | | | | |
| Property taxes levied for: | | | | |
| General purposes | | | | |
| Tax incremental financing | | | | |
| Employee benefits | | | | |
| Debt service | | | | |
| Emergency | | | | |
| Hotel/motel sales tax | | | | |
| Payment in lieu of taxes | | | | |
| Local option sales tax | | | | |
| Interest on investments | | | | |
| Bond/note/warrants proceeds | | | | |
| Miscellaneous | | | | |
| Sale of assets | | | | |
| TOTAL GENERAL RECEIPTS | | | | |
| CHANGE IN CASH BASIS NET ASSETS | | | | |
| CASH BASIS NET ASSETS, BEGINNING OF YEAR | | | | |
| CASH BASIS NET ASSETS, END OF YEAR | | | | |
| CASH BASIS NET ASSETS: | | | | |
| Restricted: | | | | |
| Streets | | | | |
| Employee benefits | | | | |
| Urban renewal purposes | | | | |
| Debt service/maintenance | | | | |
| 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 |
| \$ (688,844) | \$ - | \$ (688,844) | \$ - |
| (173,208) | - | (173,208) | - |
| (4,500) | - | (4,500) | - |
| (767,516) | - | (767,516) | - |
| (248,347) | - | (248,347) | - |
| (383,495) | - | (383,495) | - |
| (1,648,843) | - | (1,648,843) | - |
| (1,608,214) | - | (1,608,214) | - |
| - | - | - | - |
| <u>\$ (5,522,967)</u> | <u>\$ -</u> | <u>\$ (5,522,967)</u> | <u>\$ -</u> |
| \$ - | \$ (41,633) | \$ (41,633) | \$ - |
| - | 3,013 | 3,013 | - |
| - | (1,060,259) | (1,060,259) | - |
| <u>\$ -</u> | <u>\$ (1,098,879)</u> | <u>\$ (1,098,879)</u> | <u>\$ -</u> |
| <u>\$ (5,522,967)</u> | <u>\$ (1,098,879)</u> | <u>\$ (6,621,846)</u> | <u>\$ -</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 306,166</u> |
| \$ 1,204,570 | \$ - | \$ 1,204,570 | \$ - |
| 750,648 | - | 750,648 | - |
| 476,135 | - | 476,135 | - |
| 673,081 | - | 673,081 | - |
| 762 | - | 762 | - |
| 23,697 | - | 23,697 | - |
| 204,000 | - | 204,000 | - |
| 302,278 | - | 302,278 | - |
| 16,716 | - | 16,716 | - |
| 1,396,542 | - | 1,396,542 | - |
| 90,881 | 1,065,045 | 1,155,926 | - |
| 1,655 | - | 1,655 | - |
| <u>\$ 5,140,965</u> | <u>\$ 1,065,045</u> | <u>\$ 6,206,010</u> | <u>\$ -</u> |
| \$ (382,002) | \$ (33,834) | \$ (415,836) | \$ 306,166 |
| 1,369,915 | 399,323 | 1,769,238 | 112,575 |
| <u>\$ 987,913</u> | <u>\$ 365,489</u> | <u>\$ 1,353,402</u> | <u>\$ 418,741</u> |
| \$ 17,976 | \$ - | \$ 17,976 | |
| 55,211 | - | 55,211 | |
| 215,522 | - | 215,522 | |
| 194,563 | 394,470 | 589,033 | |
| 248,490 | - | 248,490 | |
| 256,151 | (28,981) | 227,170 | |
| <u>\$ 987,913</u> | <u>\$ 365,489</u> | <u>\$ 1,353,402</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, 2009

Exhibit B

| | | SPECIAL REVENUE | | |
|---|---------------------|--------------------|----------------------|-------------------------------|
| | General | Road Use Tax | Employee Benefits | Tax Increment Financing |
| RECEIPTS: | | | | |
| Property taxes | \$ 1,204,570 | \$ - | \$ 476,135 | \$ - |
| Tax increment financing collections | - | - | - | 750,648 |
| Other city taxes | 23,697 | - | - | - |
| Licenses and permits | 40,075 | - | - | - |
| Use of money and property | 15,768 | - | - | - |
| Intergovernmental | 332,691 | 407,252 | - | - |
| Charges for service | 188,611 | - | - | - |
| Special assessments | - | - | - | - |
| Miscellaneous | 146,650 | - | 4,438 | - |
| Total receipts | <u>\$ 1,952,062</u> | <u>\$ 407,252</u> | <u>\$ 480,573</u> | <u>\$ 750,648</u> |
| DISBURSEMENTS: | | | | |
| Operating: | | | | |
| Public safety | \$ 641,007 | \$ - | \$ 184,244 | \$ - |
| Public works | 41,729 | 454,380 | 84,351 | - |
| Health and social services | 4,500 | - | - | - |
| Culture and recreation | 867,475 | - | 164,814 | - |
| Community/economic development | 59,908 | - | - | 113,189 |
| General government | 343,168 | - | 53,822 | - |
| Debt service | - | - | - | 358,535 |
| Capital projects | - | - | - | - |
| Business type activities | - | - | - | - |
| Total disbursements | <u>\$ 1,957,787</u> | <u>\$ 454,380</u> | <u>\$ 487,231</u> | <u>\$ 471,724</u> |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS | <u>\$ (5,725)</u> | <u>\$ (47,128)</u> | <u>\$ (6,658)</u> | <u>\$ 278,924</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Sale of capital assets | \$ 1,655 | \$ - | \$ - | \$ - |
| Bond proceeds, net | - | - | - | - |
| Operating transfers in | 1,102 | - | - | 22,000 |
| Operating transfers out | (49,302) | - | - | (371,464) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>\$ (46,545)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (349,464)</u> |
| NET CHANGE IN CASH BALANCES | \$ (52,270) | \$ (47,128) | \$ (6,658) | \$ (70,540) |
| CASH BALANCES, BEGINNING OF YEAR | <u>308,421</u> | <u>65,104</u> | <u>61,869</u> | <u>286,062</u> |
| CASH BALANCES, END OF YEAR | <u>\$ 256,151</u> | <u>\$ 17,976</u> | <u>\$ 55,211</u> | <u>\$ 215,522</u> |
| CASH BASIS FUND BALANCES: | | | | |
| Reserved: | | | | |
| Debt service | \$ - | \$ - | \$ - | \$ - |
| Unreserved: | | | | |
| General fund | 256,151 | - | - | - |
| Special revenue funds | - | 17,976 | 55,211 | 215,522 |
| Capital projects fund | - | - | - | - |
| TOTAL CASH BASIS FUND BALANCES | <u>\$ 256,151</u> | <u>\$ 17,976</u> | <u>\$ 55,211</u> | <u>\$ 215,522</u> |

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

| Debt Service | CAPITAL PROJECTS | | Other Nonmajor Governmental Funds | Total |
|---------------------|--------------------------------|------------------------------------|--|-----------------------|
| | Park Improvement Project | Downtown Improvement Project | | |
| \$ 463,654 | \$ - | \$ - | \$ 762 | \$ 2,145,121 |
| - | - | - | - | 750,648 |
| - | - | - | 302,278 | 325,975 |
| - | - | - | - | 40,075 |
| - | - | - | 1,228 | 16,996 |
| - | - | - | - | 739,943 |
| - | - | - | - | 188,611 |
| 209,427 | - | - | 13,416 | 222,843 |
| 12,209 | 32,120 | - | 12,625 | 208,042 |
| <u>\$ 685,290</u> | <u>\$ 32,120</u> | <u>\$ -</u> | <u>\$ 330,309</u> | <u>\$ 4,638,254</u> |
| | | | | |
| \$ - | \$ - | \$ - | \$ 1,110 | \$ 826,361 |
| - | - | - | - | 580,460 |
| - | - | - | - | 4,500 |
| - | - | - | 20,536 | 1,052,825 |
| - | - | - | 81,627 | 254,724 |
| - | - | - | - | 396,990 |
| 1,290,308 | - | - | - | 1,648,843 |
| - | 377,711 | 1,098,270 | 177,769 | 1,653,750 |
| - | - | - | - | - |
| <u>\$ 1,290,308</u> | <u>\$ 377,711</u> | <u>\$ 1,098,270</u> | <u>\$ 281,042</u> | <u>\$ 6,418,453</u> |
| | | | | |
| <u>\$ (605,018)</u> | <u>\$ (345,591)</u> | <u>\$ (1,098,270)</u> | <u>\$ 49,267</u> | <u>\$ (1,780,199)</u> |
| | | | | |
| \$ - | \$ - | \$ - | \$ - | \$ 1,655 |
| 39,466 | - | 1,357,076 | - | 1,396,542 |
| 567,617 | 123,200 | - | 130,592 | 844,511 |
| (340) | - | - | (423,405) | (844,511) |
| <u>\$ 606,743</u> | <u>\$ 123,200</u> | <u>\$ 1,357,076</u> | <u>\$ (292,813)</u> | <u>\$ 1,398,197</u> |
| \$ 1,725 | \$ (222,391) | \$ 258,806 | \$ (243,546) | \$ (382,002) |
| 192,838 | 230,094 | (327,770) | 553,297 | 1,369,915 |
| <u>\$ 194,563</u> | <u>\$ 7,703</u> | <u>\$ (68,964)</u> | <u>\$ 309,751</u> | <u>\$ 987,913</u> |
| | | | | |
| \$ 194,563 | \$ - | \$ - | \$ - | \$ 194,563 |
| - | - | - | - | 256,151 |
| - | - | - | 473,502 | 762,211 |
| - | 7,703 | (68,964) | (163,751) | (225,012) |
| <u>\$ 194,563</u> | <u>\$ 7,703</u> | <u>\$ (68,964)</u> | <u>\$ 309,751</u> | <u>\$ 987,913</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, 2009

Exhibit C

| | Enterprise | | | |
|---|--------------------------|------------------------|--------------------------|--------------------------|
| | Sewer | Garbage | Utility Reimbursement | Total |
| OPERATING RECEIPTS: | | | | |
| Use of money and property | \$ 3,276 | \$ - | \$ - | \$ 3,276 |
| Charge for service | 994,129 | 241,504 | - | 1,235,633 |
| Miscellaneous | 4,786 | - | 1,060,259 | 1,065,045 |
| Total operating receipts | <u>\$ 1,002,191</u> | <u>\$ 241,504</u> | <u>\$ 1,060,259</u> | <u>\$ 2,303,954</u> |
| OPERATING DISBURSEMENTS: | | | | |
| Business type activities | <u>\$ 1,039,038</u> | <u>\$ 238,491</u> | <u>\$ 1,060,259</u> | <u>\$ 2,337,788</u> |
| EXCESS (DEFICIENCY) OF OPERATING RECEIPTS (OVER) UNDER OPERATING DISBURSEMENTS | <u>\$ (36,847)</u> | <u>\$ 3,013</u> | <u>\$ -</u> | <u>\$ (33,834)</u> |
| OTHER FINANCING SOURCES: | | | | |
| Bond proceeds, net | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| TOTAL OTHER FINANCING SOURCES | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| NET CHANGE IN CASH BALANCES | \$ (36,847) | \$ 3,013 | \$ - | \$ (33,834) |
| CASH BALANCES, BEGINNING OF YEAR | <u>399,764</u> | <u>(441)</u> | <u>-</u> | <u>399,323</u> |
| CASH BALANCES, END OF YEAR | <u><u>\$ 362,917</u></u> | <u><u>\$ 2,572</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 365,489</u></u> |
| CASH BASIS FUND BALANCES: | | | | |
| Reserved for debt service/maintenance | \$ 394,470 | \$ - | \$ - | \$ 394,470 |
| Unreserved | (31,553) | 2,572 | - | (28,981) |
| Total cash basis fund balances | <u><u>\$ 362,917</u></u> | <u><u>\$ 2,572</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 365,489</u></u> |

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

CITY OF WINTERSET, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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, 2009

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, 2009

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

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, 2009

Note 1. Summary of Significant Accounting Policies (continued)

Capital Projects:

The Park Improvement Project Fund is used to account for the construction of the sports complex.

The Downtown Improvement Project is used to account for the construction of downtown improvements.

The City reports the following major proprietary fund:

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

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

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

Measurement Focus and Basis of Accounting

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

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

Budgets and Budgetary Accounting

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

CITY OF WINTERSET, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 2. Cash and Pooled Investments

The City's deposits in banks at June 30, 2009, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

Note 3. Bonds and Notes Payable

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

| Year Ending June 30, | General Obligation Bonds | | General Obligation Notes | |
|-------------------------|--------------------------|--------------------|--------------------------|------------------|
| | Principal | Interest | Principal | Interest |
| 2010 | \$ 535,000 | \$ 375,527 | \$ 215,000 | \$ 33,183 |
| 2011 | 555,000 | 354,357 | 220,000 | 24,198 |
| 2012 | 635,000 | 331,899 | 190,000 | 14,748 |
| 2013 | 725,000 | 305,649 | 90,000 | 6,795 |
| 2014 | 750,000 | 275,320 | 90,000 | 3,465 |
| 2015-2019 | 4,675,000 | 783,624 | --- | --- |
| 2020-2024 | 875,000 | 156,890 | --- | --- |
| 2025 | 200,000 | 4,950 | --- | --- |
| TOTAL | <u>\$8,950,000</u> | <u>\$2,588,216</u> | <u>\$ 805,000</u> | <u>\$ 82,389</u> |

CITY OF WINTERSET, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 3. Bonds and Notes Payable (continued)

| Year Ending June 30, | Sewer Revenue Notes | | Special Assessment Capital Loan | |
|-------------------------|---------------------|-------------------|------------------------------------|------------------|
| | Principal | Interest | Principal | Interest |
| 2010 | \$ 310,000 | \$ 64,008 | \$ 40,000 | \$ 12,895 |
| 2011 | 320,000 | 53,468 | 45,000 | 11,055 |
| 2012 | 330,000 | 41,948 | 45,000 | 8,885 |
| 2013 | 340,000 | 29,573 | 45,000 | 6,650 |
| 2014 | 65,000 | 16,313 | 30,000 | 4,790 |
| 2015-2019 | 285,000 | 34,096 | 50,000 | 4,180 |
| 2020-2024 | --- | --- | --- | --- |
| 2025 | --- | --- | --- | --- |
| TOTAL | <u>\$1,650,000</u> | <u>\$ 239,406</u> | <u>\$ 255,000</u> | <u>\$ 48,455</u> |

| Year Ending June 30, | Special Assessment Bonds | | Urban Renewal Tax Increment Financing Revenue Bonds | |
|-------------------------|--------------------------|-------------------|---|-------------------|
| | Principal | Interest | Principal | Interest |
| 2010 | \$ 90,000 | \$ 28,055 | \$ 385,000 | \$ 142,835 |
| 2011 | 90,000 | 24,430 | 420,000 | 119,275 |
| 2012 | 90,000 | 20,720 | 410,000 | 93,063 |
| 2013 | 90,000 | 16,945 | 365,000 | 68,175 |
| 2014 | 95,000 | 13,105 | 390,000 | 47,005 |
| 2015-2019 | 200,000 | 16,325 | 410,000 | 24,190 |
| 2020-2024 | --- | --- | --- | --- |
| 2025 | --- | --- | --- | --- |
| TOTAL | <u>\$ 655,000</u> | <u>\$ 119,580</u> | <u>\$2,380,000</u> | <u>\$ 494,543</u> |

| Year Ending June 30, | State Revolving Loans | | Other Debt | |
|-------------------------|-----------------------|-------------------|-------------------|------------------|
| | Principal | Interest | Principal | Interest |
| 2010 | \$ 53,000 | \$ 27,753 | \$ 97,363 | \$ 10,017 |
| 2011 | 54,000 | 25,676 | 99,573 | 7,806 |
| 2012 | 57,000 | 23,559 | 101,887 | 5,493 |
| 2013 | 59,000 | 21,324 | 98,346 | 3,094 |
| 2014 | 62,000 | 19,012 | 79,906 | 1,271 |
| 2015-2019 | 346,000 | 56,760 | 150,000 | --- |
| 2020-2024 | 77,000 | 3,018 | --- | --- |
| 2025 | --- | --- | --- | --- |
| TOTAL | <u>\$ 708,000</u> | <u>\$ 177,102</u> | <u>\$ 627,075</u> | <u>\$ 27,681</u> |

CITY OF WINTERSET, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 3. Bonds and Notes Payable (continued)

| Year Ending <u>June 30,</u> | Principal | Interest |
|--------------------------------|---------------------|--------------------|
| 2010 | \$ 1,725,363 | \$ 694,273 |
| 2011 | 1,803,573 | 620,265 |
| 2012 | 1,858,887 | 540,315 |
| 2013 | 1,812,346 | 458,205 |
| 2014 | 1,561,906 | 380,281 |
| 2015-2019 | 6,116,000 | 919,175 |
| 2020-2024 | 952,000 | 159,908 |
| 2025 | <u>200,000</u> | <u>4,950</u> |
| TOTAL | <u>\$16,030,075</u> | <u>\$3,777,372</u> |

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

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

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to the sewer revenue bond sinking account for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly reserve transfers of \$10,000 shall be made to a sewer system improvement account until a minimum of \$240,000 is accumulated. This account is restricted for the purpose of paying for deficiencies to the sinking accounts, payments of the note principal and interest and for any additional improvements or extensions.

CITY OF WINTERSET, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 3. Bonds Payable and Other Debt (continued)

- (d) A sum of \$245,500 shall be set apart and put into a reserve account. Any deficiencies in the reserve account shall be reimbursed from the net operating revenues of the sewer fund after its required contributions to the sinking and improvement reserve accounts.

The resolutions providing for the issuance of the urban renewal tax increment financing bonds include the following provisions:

A sum of \$240,000 shall be set apart and put into a reserve account for the purpose of making the bond 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 4.10% of their annual salary and the City is required to contribute 6.35%. 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, 2009, 2008, and 2007 was \$134,069, \$124,837, and \$117,815 respectively, equal to the required contributions for each year.

CITY OF WINTERSET, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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, 2009, primarily relating to the General Fund, is as follows:

| <u>Type of Benefit</u> | <u>Amount</u> |
|------------------------|------------------|
| Vacation | \$ 62,696 |
| Sick leave | <u>73,884</u> |
| Total | <u>\$136,580</u> |

This liability has been computed based on rates of pay as of June 30, 2009.

Note 6. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|--------------------|-------------------------|-------------------|
| General | Special revenue: | |
| | Emergency | \$ 762 |
| | Debt service | <u>340</u> |
| | | <u>\$ 1,102</u> |
| Debt service | General | \$ 49,302 |
| | Special revenue: | |
| | Tax increment financing | 297,872 |
| | Local option tax | <u>220,443</u> |
| | | <u>\$ 567,617</u> |
| Special revenue: | Special revenue: | |
| Tax increment | Tax increment | |
| Financing | financing reserve | <u>\$ 22,000</u> |

CITY OF WINTERSET, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 6. Interfund Transfers (continued)

| | | |
|--------------------------|-------------------------|-------------------|
| LMI grant fund | Special revenue: | |
| | Tax increment financing | <u>\$ 66,392</u> |
| Housing project | Special revenue: | |
| | Tax increment financing | <u>\$ 57,000</u> |
| Capital Projects: | | |
| Park improvement project | Special revenue: | |
| | Local option sales tax | \$ 115,200 |
| | Park and recreation | |
| | Improvement project | <u>8,000</u> |
| | | <u>\$ 123,200</u> |
| Airport improvement | Special revenue: | |
| | Tax increment financing | <u>\$ 7,200</u> |
| Total | | <u>\$ 844,511</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.

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.

CITY OF WINTERSET, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 8. South Central Iowa Landfill Agency (continued)

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 <u>June 30,</u> | |
|---|-------------------------------|-------------------|
| Total future minimum lease payments: | 2010 | \$ 31,177 |
| | 2011 | 31,177 |
| | 2012 | 31,177 |
| | 2013 | 31,176 |
| | 2014 | <u>31,176</u> |
| | | \$ 155,883 |
| Less amount representing interest | | <u>(18,059)</u> |
| Present value of future minimum lease Payments | | <u>\$ 137,824</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, 2009

Note 9. Capital Leases

| | Year Ended <u>June 30,</u> | |
|---|-------------------------------|-------------------|
| Total future minimum lease payments: | 2010 | \$ 50,000 |
| | 2011 | 50,000 |
| | 2012 | 50,000 |
| | 2013 | 50,000 |
| | 2014 | 50,000 |
| | 2015 | 50,000 |
| | 2016 | 50,000 |
| | 2017 | <u>50,000</u> |
| | | \$ 400,000 |
| Less amount representing interest | | <u>---</u> |
| Present value of future minimum lease Payments | | <u>\$ 400,000</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 <u>June 30,</u> | |
|---|-------------------------------|------------------|
| Total future minimum lease payments: | 2010 | \$ 26,203 |
| | 2011 | 26,203 |
| | 2012 | 26,203 |
| | 2013 | <u>20,263</u> |
| | | \$ 98,872 |
| Less amount representing interest | | <u>(9,621)</u> |
| Present value of future minimum lease Payments | | <u>\$ 89,251</u> |

CITY OF WINTERSET, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 11. Deficit Fund Balances

The Capital Projects, Downtown Improvement Project Fund had a deficit balance of \$68,964, the Sidewalk Project had a deficit balance of \$37,006, the Sewer Improvement Project has a deficit balance of \$2,912 and the Paving Project had a deficit balance of \$124,997 at June 30, 2009. The deficit balances were a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon a transfer of funds.

Note 12. Subsequent Events

In August 2009, the City approved the contract for the 2009 storm sewer improvement project for a cost of \$181,355.

In August 2009, the City approved the issuance of general obligation corporation purpose loan notes in the amount of \$1,500,000.

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, 2009

| | Governmental Funds Actual | Proprietary Funds Actual | Net |
|--|---------------------------------|--------------------------------|---------------------|
| RECEIPTS: | | | |
| Property tax | \$ 2,145,121 | \$ - | \$ 2,145,121 |
| Tax increment financing collections | 750,648 | - | 750,648 |
| Other city tax | 325,975 | - | 325,975 |
| Licenses and permits | 40,075 | - | 40,075 |
| Use of money and property | 16,996 | 3,276 | 20,272 |
| Intergovernmental | 739,943 | - | 739,943 |
| Charges for service | 188,611 | 1,235,633 | 1,424,244 |
| Special assessments | 222,843 | - | 222,843 |
| Miscellaneous | 208,042 | 1,065,045 | 1,273,087 |
| TOTAL RECEIPTS | <u>\$ 4,638,254</u> | <u>\$ 2,303,954</u> | <u>\$ 6,942,208</u> |
| DISBURSEMENTS: | | | |
| Public safety | \$ 826,361 | \$ - | \$ 826,361 |
| Public works | 580,460 | - | 580,460 |
| Health and social services | 4,500 | - | 4,500 |
| Culture and recreation | 1,052,825 | - | 1,052,825 |
| Community and economic development | 254,724 | - | 254,724 |
| General government | 396,990 | - | 396,990 |
| Debt service | 1,648,843 | - | 1,648,843 |
| Capital projects | 1,653,750 | - | 1,653,750 |
| Business type activities | - | 2,337,788 | 2,337,788 |
| TOTAL DISBURSEMENTS | <u>\$ 6,418,453</u> | <u>\$ 2,337,788</u> | <u>\$ 8,756,241</u> |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS | \$ (1,780,199) | \$ (33,834) | \$ (1,814,033) |
| OTHER FINANCING SOURCES, NET | <u>1,398,197</u> | <u>-</u> | <u>1,398,197</u> |
| EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES | \$ (382,002) | \$ (33,834) | \$ (415,836) |
| BALANCE, BEGINNING OF YEAR | <u>1,369,915</u> | <u>399,323</u> | <u>1,769,238</u> |
| BALANCE, END OF YEAR | <u>\$ 987,913</u> | <u>\$ 365,489</u> | <u>\$ 1,353,402</u> |

See accompanying independent auditor's report.

| Budgeted Amounts | | Final to |
|----------------------------|----------------------------|----------------------------|
| Original | Final | Net Variance |
| \$ 2,162,548 | \$ 2,139,868 | \$ 5,253 |
| 764,006 | 764,006 | (13,358) |
| 376,419 | 376,211 | (50,236) |
| 28,625 | 28,625 | 11,450 |
| 71,500 | 71,500 | (51,228) |
| 741,936 | 741,936 | (1,993) |
| 1,534,200 | 1,534,200 | (109,956) |
| 239,000 | 239,000 | (16,157) |
| 1,306,149 | 1,306,149 | (33,062) |
| <u>\$ 7,224,383</u> | <u>\$ 7,201,495</u> | <u>\$ (259,287)</u> |
| | | |
| \$ 836,533 | \$ 836,533 | \$ 10,172 |
| 534,554 | 582,679 | 2,219 |
| 4,500 | 4,500 | - |
| 1,052,649 | 1,083,149 | 30,324 |
| 299,160 | 299,160 | 44,436 |
| 398,085 | 398,085 | 1,095 |
| 1,565,675 | 1,649,046 | 203 |
| 2,022,200 | 1,792,200 | 138,450 |
| 2,441,031 | 2,441,031 | 103,243 |
| <u>\$ 9,154,387</u> | <u>\$ 9,086,383</u> | <u>\$ 330,142</u> |
| | | |
| \$ (1,930,004) | \$ (1,884,888) | \$ 70,855 |
| <u>2,005,000</u> | <u>2,259,500</u> | <u>(861,303)</u> |
| | | |
| \$ 74,996 | \$ 374,612 | <u><u>\$ (790,448)</u></u> |
| <u>1,796,812</u> | <u>1,769,216</u> | |
| <u><u>\$ 1,871,808</u></u> | <u><u>\$ 2,143,828</u></u> | |

CITY OF WINTERSET, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2009

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 decreased budgeted disbursements by \$68,004. The budget amendment is reflected in the final budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

CITY OF WINTERSET, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2009

Schedule 1

| | Special Revenue | | | | |
|--|------------------------|-----------------|--------------------|--|--------------------|
| | Local Option Tax | Emergency | LMI Grant Fund | Tax Increment Financing Reserve | Housing Project |
| RECEIPTS: | | | | | |
| Property tax | \$ - | \$ 762 | \$ - | \$ - | \$ - |
| Tax increment financing collections | - | - | - | - | - |
| Other city tax | 302,278 | - | - | - | - |
| Licenses and permits | - | - | - | - | - |
| Uses of money and property | 948 | - | - | - | - |
| Intergovernmental | - | - | - | - | - |
| Charges for services | - | - | - | - | - |
| Special assessments | - | - | - | - | - |
| Miscellaneous | - | - | - | - | 6,376 |
| TOTAL RECEIPTS | <u>\$ 303,226</u> | <u>\$ 762</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,376</u> |
| DISBURSEMENTS: | | | | | |
| Operating: | | | | | |
| Public safety | \$ - | \$ - | \$ - | \$ - | \$ - |
| Public works | - | - | - | - | - |
| Health and social services | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - |
| Community and economic development | - | - | 35,681 | - | 45,946 |
| General government | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| Capital projects | - | - | - | - | - |
| TOTAL DISBURSEMENTS | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 35,681</u> | <u>\$ -</u> | <u>\$ 45,946</u> |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS | <u>\$ 303,226</u> | <u>\$ 762</u> | <u>\$ (35,681)</u> | <u>\$ -</u> | <u>\$ (39,570)</u> |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Sale of capital assets | \$ - | \$ - | \$ - | \$ - | \$ - |
| Bond proceeds, net | - | - | - | - | - |
| Operating transfers in | - | - | 66,392 | - | 57,000 |
| Operating transfers out | (335,643) | (762) | (57,000) | (22,000) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>\$ (335,643)</u> | <u>\$ (762)</u> | <u>\$ 9,392</u> | <u>\$ (22,000)</u> | <u>\$ 57,000</u> |

See accompanying independent auditor's report.

| Special Revenue | | Capital Projects | | | | | | |
|---|-------------------------|--------------------|------------------------|---------------------|---------------------------|-----------------------------|---------------------|--|
| Park and Recreation Improvement Project | Police Special Projects | Sidewalk Project | Aquatic Center Project | Paving Project | Sewer Improvement Project | Airport Improvement Project | Total | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 762 | |
| - | - | - | - | - | - | - | - | |
| - | - | - | - | - | - | - | 302,278 | |
| - | - | - | - | - | - | - | - | |
| 280 | - | - | - | - | - | - | 1,228 | |
| - | - | - | - | - | - | - | - | |
| - | - | - | - | - | - | - | - | |
| - | - | 13,416 | - | - | - | - | 13,416 | |
| 2,995 | - | 3,090 | 164 | - | - | - | 12,625 | |
| <u>\$ 3,275</u> | <u>\$ -</u> | <u>\$ 16,506</u> | <u>\$ 164</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 330,309</u> | |
| | | | | | | | | |
| \$ - | \$ 1,110 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,110 | |
| - | - | - | - | - | - | - | - | |
| - | - | - | - | - | - | - | - | |
| 20,536 | - | - | - | - | - | - | 20,536 | |
| - | - | - | - | - | - | - | 81,627 | |
| - | - | - | - | - | - | - | - | |
| - | - | - | - | - | - | - | - | |
| - | - | 42,660 | - | 124,997 | 2,912 | 7,200 | 177,769 | |
| <u>\$ 20,536</u> | <u>\$ 1,110</u> | <u>\$ 42,660</u> | <u>\$ -</u> | <u>\$ 124,997</u> | <u>\$ 2,912</u> | <u>\$ 7,200</u> | <u>\$ 281,042</u> | |
| | | | | | | | | |
| <u>\$ (17,261)</u> | <u>\$ (1,110)</u> | <u>\$ (26,154)</u> | <u>\$ 164</u> | <u>\$ (124,997)</u> | <u>\$ (2,912)</u> | <u>\$ (7,200)</u> | <u>\$ 49,267</u> | |
| | | | | | | | | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| - | - | - | - | - | - | - | - | |
| - | - | - | - | - | - | 7,200 | 130,592 | |
| (8,000) | - | - | - | - | - | - | (423,405) | |
| <u>\$ (8,000)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 7,200</u> | <u>\$ (292,813)</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, 2009

Schedule 1
(Continued)

| | Special Revenue | | | | |
|-------------------------------------|------------------------|-------------|-------------------|--|--------------------|
| | Local Option Tax | Emergency | LMI Grant Fund | Tax Increment Financing Reserve | Housing Project |
| NET CHANGE IN CASH BALANCE | \$ (32,417) | \$ - | \$ (26,289) | \$ (22,000) | \$ 17,430 |
| CASH BALANCES, BEGINNING OF YEAR | 124,176 | - | 146,350 | 262,000 | (3,621) |
| CASH BALANCES, END OF YEAR | <u>\$ 91,759</u> | <u>\$ -</u> | <u>\$ 120,061</u> | <u>\$ 240,000</u> | <u>\$ 13,809</u> |
| CASH BASIS FUND BALANCES: | | | | | |
| Reserved: | | | | | |
| Debt service | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved: | | | | | |
| General fund | - | - | - | - | - |
| Special revenue funds | 91,759 | - | 120,061 | 240,000 | 13,809 |
| Capital projects fund | - | - | - | - | - |
| Permanent fund | - | - | - | - | - |
| TOTAL CASH BASIS FUND BALANCES | <u>\$ 91,759</u> | <u>\$ -</u> | <u>\$ 120,061</u> | <u>\$ 240,000</u> | <u>\$ 13,809</u> |

See accompanying independent auditor's report.

| Special Revenue | | Capital Projects | | | | | Total |
|---|-------------------------|--------------------|------------------------|---------------------|---------------------------|-----------------------------|-------------------|
| Park and Recreation Improvement Project | Police Special Projects | Sidewalk Project | Aquatic Center Project | Paving Project | Sewer Improvement Project | Airport Improvement Project | |
| \$ (25,261) | \$ (1,110) | \$ (26,154) | \$ 164 | \$ (124,997) | \$ (2,912) | \$ - | \$ (243,546) |
| 30,987 | 3,257 | (10,852) | 1,000 | - | - | - | 553,297 |
| <u>\$ 5,726</u> | <u>\$ 2,147</u> | <u>\$ (37,006)</u> | <u>\$ 1,164</u> | <u>\$ (124,997)</u> | <u>\$ (2,912)</u> | <u>\$ -</u> | <u>\$ 309,751</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - | - |
| 5,726 | 2,147 | - | - | - | - | - | 473,502 |
| - | - | (37,006) | 1,164 | (124,997) | (2,912) | - | (163,751) |
| - | - | - | - | - | - | - | - |
| <u>\$ 5,726</u> | <u>\$ 2,147</u> | <u>\$ (37,006)</u> | <u>\$ 1,164</u> | <u>\$ (124,997)</u> | <u>\$ (2,912)</u> | <u>\$ -</u> | <u>\$ 309,751</u> |

CITY OF WINTERSET, IOWA
SCHEDULE OF INDEBTEDNESS
Year Ended June 30, 2009

Schedule 2

| <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 |
| Corporate purpose and refunding | June 1, 2005 | 2.95-4.00% | 1,585,000 |
| General corporate purpose | June 15, 2006 | 3.95-4.40% | 825,000 |
| Street improvements | June 15, 2007 | 4.15-4.80% | 1,810,000 |
| Street improvements | June 15, 2008 | 4.00-4.35% | 900,000 |
| Annual appropriations park improvement | June 15, 2008 | 3.75% | 320,000 |
| Street improvements | October 15, 2008 | 3.00-4.70% | 1,420,000 |
| Total | | | |
| General obligation notes: | | | |
| Street improvements | April 1, 2000 | 5.00-5.60% | \$ 290,000 |
| General corporate purpose | October 1, 2001 | 3.75-4.70% | 885,000 |
| General corporate purpose | May 1, 2003 | 1.50-3.85% | 1,100,000 |
| Total | | | |
| Special assessment capital loan notes: | | | |
| Street improvements | May 1, 1999 | 4.50-5.05% | \$ 141,000 |
| 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 | April 1, 1998 | 6.50% | 145,000 |
| Urban renewal tax increment | December 28, 1999 | 6.50% | 200,000 |
| Urban renewal tax increment | December 28, 1999 | 8.00% | 170,000 |
| Urban renewal tax increment | October 2, 2000 | 7.50% | 160,000 |
| Urban renewal tax increment | December 1, 2000 | 5.15-5.90% | 2,400,000 |
| Total | | | |

See accompanying independent auditor's report.

| Balance Beginning of Year | Issued During Year | Redeemed During Year | Balance End of Year | Interest Paid | Interest Due and Unpaid |
|---------------------------------|--------------------------|----------------------------|---------------------------|-------------------|-------------------------------|
| \$ 190,000 | \$ - | \$ 25,000 | \$ 165,000 | \$ 12,445 | \$ - |
| 2,490,000 | - | 110,000 | 2,380,000 | 102,343 | - |
| 1,450,000 | - | 175,000 | 1,275,000 | 52,288 | - |
| 825,000 | - | - | 825,000 | 35,123 | - |
| 1,810,000 | - | 145,000 | 1,665,000 | 79,348 | - |
| 900,000 | - | - | 900,000 | 35,571 | - |
| 320,000 | - | - | 320,000 | 7,533 | - |
| - | 1,420,000 | - | 1,420,000 | 39,266 | - |
| <u>\$ 7,985,000</u> | <u>\$ 1,420,000</u> | <u>\$ 455,000</u> | <u>\$ 8,950,000</u> | <u>\$ 363,917</u> | <u>\$ -</u> |
| \$ 100,000 | \$ - | \$ 30,000 | \$ 70,000 | \$ 5,520 | \$ - |
| 400,000 | - | 95,000 | 305,000 | 18,215 | - |
| 510,000 | - | 80,000 | 430,000 | 17,663 | - |
| <u>\$ 1,010,000</u> | <u>\$ -</u> | <u>\$ 205,000</u> | <u>\$ 805,000</u> | <u>\$ 41,398</u> | <u>\$ -</u> |
| \$ 15,000 | \$ - | \$ 15,000 | \$ - | \$ 758 | \$ - |
| 45,000 | - | 5,000 | 40,000 | 2,860 | - |
| 150,000 | - | 15,000 | 135,000 | 8,355 | - |
| 100,000 | - | 20,000 | 80,000 | 3,800 | - |
| <u>\$ 310,000</u> | <u>\$ -</u> | <u>\$ 55,000</u> | <u>\$ 255,000</u> | <u>\$ 15,773</u> | <u>\$ -</u> |
| \$ 290,000 | \$ - | \$ 40,000 | \$ 250,000 | \$ 11,565 | \$ - |
| 455,000 | - | 50,000 | 405,000 | 20,055 | - |
| <u>\$ 745,000</u> | <u>\$ -</u> | <u>\$ 90,000</u> | <u>\$ 655,000</u> | <u>\$ 31,620</u> | <u>\$ -</u> |
| \$ 125,000 | \$ - | \$ 25,000 | \$ 100,000 | \$ 10,313 | \$ - |
| 30,000 | - | 30,000 | - | 1,950 | - |
| 80,000 | - | 25,000 | 55,000 | 5,200 | - |
| 80,000 | - | 25,000 | 55,000 | 6,400 | - |
| 90,000 | - | 20,000 | 70,000 | 6,750 | - |
| 2,175,000 | - | 75,000 | 2,100,000 | 125,523 | - |
| <u>\$ 2,580,000</u> | <u>\$ -</u> | <u>\$ 200,000</u> | <u>\$ 2,380,000</u> | <u>\$ 156,136</u> | <u>\$ -</u> |

CITY OF WINTERSET, IOWA
SCHEDULE OF INDEBTEDNESS
Year Ended June 30, 2009

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 | 3.92% | \$ 225,951 |
| Sewer refund bonds, Series 2000B | January 17, 2000 | 3.92% | 874,049 |
| 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> |
|--|-----------------------------------|-------------------------------------|------------------------------------|--------------------------|--|
| \$ 1,600,000 | \$ - | \$ 300,000 | \$ 1,300,000 | \$ 57,145 | \$ - |
| 350,000 | - | - | 350,000 | 16,313 | - |
| <u>\$ 1,950,000</u> | <u>\$ -</u> | <u>\$ 300,000</u> | <u>\$ 1,650,000</u> | <u>\$ 73,458</u> | <u>\$ -</u> |
| | | | | | |
| \$ 156,000 | \$ - | \$ 10,000 | \$ 146,000 | \$ 6,115 | \$ - |
| 602,000 | - | 40,000 | 562,000 | 23,598 | - |
| <u>\$ 758,000</u> | <u>\$ -</u> | <u>\$ 50,000</u> | <u>\$ 708,000</u> | <u>\$ 29,713</u> | <u>\$ -</u> |
| | | | | | |
| \$ 162,111 | \$ - | \$ 24,287 | \$ 137,824 | \$ 6,890 | \$ - |
| 110,217 | - | 20,966 | 89,251 | 5,237 | - |
| 450,000 | - | 50,000 | 400,000 | - | - |
| <u>\$ 722,328</u> | <u>\$ -</u> | <u>\$ 95,253</u> | <u>\$ 627,075</u> | <u>\$ 12,127</u> | <u>\$ -</u> |

CITY OF WINTERSET, IOWA
BOND AND OTHER DEBT MATURITIES
JUNE 30, 2009

Schedule 3

| General Obligation Bonds | | | | | | | | |
|----------------------------|-------------------------|-------------------|--------------------------|---------------------|------------------------------------|---------------------|------------------------------|-------------------|
| Year Ending June 30, | Airport Improvement | | Local Option Sales Tax | | Corporate Purpose and Refunding | | General Corporate Purpose | |
| | Issued December 1, 1998 | | Issued December 15, 2004 | | Issued June 1, 2005 | | Issued June 15, 2006 | |
| | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount |
| 2010 | 6.40 | \$ 30,000 | 3.15 | \$ 110,000 | 3.35 | \$ 180,000 | 3.95 | \$ 25,000 |
| 2011 | 6.50 | 30,000 | 3.30 | 115,000 | 3.45 | 185,000 | 4.05 | 25,000 |
| 2012 | 6.60 | 35,000 | 3.45 | 120,000 | 3.55 | 195,000 | 4.10 | 50,000 |
| 2013 | 6.65 | 35,000 | 3.60 | 125,000 | 3.65 | 200,000 | 4.15 | 100,000 |
| 2014 | 6.75 | 35,000 | 3.75 | 125,000 | 3.80 | 210,000 | 4.20 | 100,000 |
| 2015 | - | - | 3.90 | 130,000 | 3.90 | 215,000 | 4.25 | 120,000 |
| 2016 | - | - | 4.05 | 135,000 | 4.00 | 90,000 | 4.30 | 130,000 |
| 2017 | - | - | 4.15 | 140,000 | - | - | 4.35 | 135,000 |
| 2018 | - | - | 4.25 | 150,000 | - | - | 4.40 | 140,000 |
| 2019 | - | - | 4.35 | 155,000 | - | - | - | - |
| 2020 | - | - | 4.45 | 160,000 | - | - | - | - |
| 2021 | - | - | 4.55 | 165,000 | - | - | - | - |
| 2022 | - | - | 4.65 | 175,000 | - | - | - | - |
| 2023 | - | - | 4.75 | 185,000 | - | - | - | - |
| 2024 | - | - | 4.85 | 190,000 | - | - | - | - |
| 2025 | - | - | 4.95 | 200,000 | - | - | - | - |
| Total | | <u>\$ 165,000</u> | | <u>\$ 2,380,000</u> | | <u>\$ 1,275,000</u> | | <u>\$ 825,000</u> |

| General Obligation Notes | | | | | | | |
|----------------------------|----------------------|-----------|------------------------|------------|--------------------|------------|------------|
| Year Ending June 30, | General | | | | General | | Total |
| | Street Improvements | | Corporate Purpose | | Corporate Purpose | | |
| | Issued April 1, 2000 | | Issued October 1, 2001 | | Issued May 1, 2003 | | |
| | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount | |
| 2009 | 5.50 | \$ 35,000 | 4.50 | \$ 100,000 | 3.20 | \$ 80,000 | \$ 215,000 |
| 2011 | 5.60 | 35,000 | 4.60 | 100,000 | 3.40 | 85,000 | 220,000 |
| 2012 | | - | 4.70 | 105,000 | 3.55 | 85,000 | 190,000 |
| 2013 | | - | | - | 3.70 | 90,000 | 90,000 |
| 2014 | | - | | - | | 90,000 | 90,000 |
| | | \$ 70,000 | | \$ 305,000 | | \$ 430,000 | \$ 805,000 |

See accompanying independent auditor's report.

General Obligation Bonds

| | | | | Annual Appropriation | | | | |
|----------------------|------------|----------------------|-----------|----------------------|---------|-------------------------|-----------|-------------|
| Street Improvement | | Street Improvement | | Park Improvement | | Street Improvement | | |
| Issued June 15, 2007 | | Issued June 15, 2008 | | Issued June 15, 2008 | | Issued October 15, 2008 | | |
| Interest | | Interest | | Interest | | Interest | | |
| Rates | Amount | Rates | Amount | Rates | Amount | Rates | Amount | Total |
| 4.80 | \$ 150,000 | 4.35 | \$ 15,000 | | \$ - | 3.00 | \$ 25,000 | \$ 535,000 |
| 4.80 | 160,000 | 4.35 | 15,000 | | - | 3.25 | 25,000 | 555,000 |
| 4.80 | 170,000 | 4.35 | 25,000 | | - | 3.50 | 40,000 | 635,000 |
| 4.80 | 175,000 | 4.35 | 35,000 | | - | 3.70 | 55,000 | 725,000 |
| 3.95 | 185,000 | 4.35 | 35,000 | | - | 3.90 | 60,000 | 750,000 |
| 4.00 | 195,000 | 4.35 | 75,000 | 3.75 | 320,000 | 4.25 | 130,000 | 1,185,000 |
| 4.05 | 200,000 | 4.40 | 165,000 | | - | 4.45 | 255,000 | 975,000 |
| 4.10 | 210,000 | 3.90 | 170,000 | | - | 4.55 | 265,000 | 920,000 |
| 4.15 | 220,000 | 3.90 | 180,000 | | - | 4.60 | 275,000 | 965,000 |
| - | - | 4.00 | 185,000 | | - | 4.70 | 290,000 | 630,000 |
| - | - | - | - | | - | - | - | 160,000 |
| - | - | - | - | | - | - | - | 165,000 |
| - | - | - | - | | - | - | - | 175,000 |
| - | - | - | - | | - | - | - | 185,000 |
| - | - | - | - | | - | - | - | 190,000 |
| - | - | - | - | | - | - | - | 200,000 |
| \$1,665,000 | | \$ 900,000 | | \$ 320,000 | | \$1,420,000 | | \$8,950,000 |

CITY OF WINTERSET, IOWA
BOND AND OTHER DEBT MATURITIES
JUNE 30, 2009

Schedule 3
(Continued)

| | State Revolving Loans | | | | |
|----------|-------------------------|------------|-------------------------|------------|------------|
| | Sewer Revenue Bonds | | Sewer Revenue Bonds | | |
| | Series 2000A | | Series 2000B | | |
| Year | Issued January 17, 2000 | | Issued January 17, 2000 | | |
| Ending | Interest | | Interest | | |
| June 30, | Rates | Amount | Rates | Amount | Total |
| 2010 | 3.92 | \$ 11,000 | 3.92 | \$ 42,000 | \$ 53,000 |
| 2011 | 3.92 | 11,000 | 3.92 | 43,000 | 54,000 |
| 2012 | 3.92 | 12,000 | 3.92 | 45,000 | 57,000 |
| 2013 | 3.92 | 12,000 | 3.92 | 47,000 | 59,000 |
| 2014 | 3.92 | 13,000 | 3.92 | 49,000 | 62,000 |
| 2015 | 3.92 | 13,000 | 3.92 | 51,000 | 64,000 |
| 2016 | 3.92 | 14,000 | 3.92 | 53,000 | 67,000 |
| 2017 | 3.92 | 14,000 | 3.92 | 55,000 | 69,000 |
| 2018 | 3.92 | 15,000 | 3.92 | 57,000 | 72,000 |
| 2019 | 3.92 | 15,000 | 3.92 | 59,000 | 74,000 |
| 2020 | 3.92 | 16,000 | 3.92 | 61,000 | 77,000 |
| Total | | \$ 146,000 | | \$ 562,000 | \$ 708,000 |

| Year Ending June 30, | Revenue Notes | | | | |
|----------------------------|--------------------|---------------------|----------------------|-------------------|---------------------|
| | Sewer Refunding | | Sewer Improvements | | Total |
| | Issued May 1, 2003 | | Issued June 15, 2007 | | |
| | Interest Rates | Amount | Interest Rates | Amount | |
| 2010 | 3.40 | \$ 310,000 | | \$ - | \$ 310,000 |
| 2011 | 3.60 | 320,000 | | - | 320,000 |
| 2012 | 3.75 | 330,000 | | - | 330,000 |
| 2013 | 3.90 | 340,000 | | - | 340,000 |
| 2014 | | - | 4.65 | 65,000 | 65,000 |
| 2015 | | - | 4.65 | 65,000 | 65,000 |
| 2016 | | - | 4.65 | 70,000 | 70,000 |
| 2017 | | - | 4.65 | 75,000 | 75,000 |
| 2018 | | - | 4.70 | 75,000 | 75,000 |
| | | <u>\$ 1,300,000</u> | | <u>\$ 350,000</u> | <u>\$ 1,650,000</u> |

See accompanying independent auditor's report.

CITY OF WINTERSET, IOWA
BOND AND OTHER DEBT MATURITIES
JUNE 30, 2009

Schedule 3
(continued)

| Year Ending June 30, | Urban Renewal (TIF) Revenue Bonds | | | | | | | |
|----------------------------|-----------------------------------|-------------------|--------------------------|------------------|--------------------------|------------------|------------------------|------------------|
| | Issued October 31, 1997 | | Issued December 28, 1999 | | Issued December 28, 1999 | | Issued October 2, 2000 | |
| | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount |
| 2010 | 8.25 | \$ 30,000 | 6.50 | \$ 25,000 | 8.00 | \$ 25,000 | 7.50 | \$ 20,000 |
| 2011 | 8.25 | 35,000 | 6.50 | 30,000 | 8.00 | 30,000 | 7.50 | 25,000 |
| 2012 | 8.25 | 35,000 | | - | | - | 7.50 | 25,000 |
| 2013 | | - | | - | | - | | - |
| 2014 | | - | | - | | - | | - |
| 2015 | | - | | - | | - | | - |
| Total | | <u>\$ 100,000</u> | | <u>\$ 55,000</u> | | <u>\$ 55,000</u> | | <u>\$ 70,000</u> |

| Year Ending June 30, | Special Assessment Capital Loan Notes | | | | | | |
|----------------------------|--|------------------|--------------------------------------|-------------------|---|------------------|-------------------|
| | Street Improvement Issued April 1, 2000 | | Paving Project Issued May 1, 2001 | | Street Improvements Issued May 1, 2003 | | Total |
| | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount | |
| 2010 | 6.10 | \$ 5,000 | 5.30 | \$ 15,000 | 3.60 | \$ 20,000 | \$ 40,000 |
| 2011 | 6.20 | 5,000 | 5.40 | 20,000 | 3.80 | 20,000 | 45,000 |
| 2012 | 6.30 | 5,000 | 5.50 | 20,000 | 4.00 | 20,000 | 45,000 |
| 2013 | 6.40 | 5,000 | 5.60 | 20,000 | 4.20 | 20,000 | 45,000 |
| 2014 | 6.50 | 10,000 | 5.70 | 20,000 | | - | 30,000 |
| 2015 | 6.60 | 10,000 | 5.80 | 20,000 | | - | 30,000 |
| 2016 | | - | 5.90 | 20,000 | | - | 20,000 |
| | | <u>\$ 40,000</u> | | <u>\$ 135,000</u> | | <u>\$ 80,000</u> | <u>\$ 255,000</u> |

See accompanying independent auditor's report.

Urban Renewal (TIF) Revenue Bonds

Issued October 2, 2000

Interest

| <u>Rates</u> | <u>Amount</u> | <u>Total</u> |
|--------------|--------------------|--------------------|
| 5.60 | \$ 285,000 | \$ 385,000 |
| 5.70 | 300,000 | 420,000 |
| 5.75 | 350,000 | 410,000 |
| 5.80 | 365,000 | 365,000 |
| 5.85 | 390,000 | 390,000 |
| 5.90 | 410,000 | 410,000 |
| | <u>\$2,100,000</u> | <u>\$2,380,000</u> |

CITY OF WINTERSET, IOWA
BOND AND OTHER DEBT MATURITIES
JUNE 30, 2009

Schedule 3
(continued)

| Special Assessment Bonds | | | | | |
|----------------------------|---------------------|------------|----------------------|------------|------------|
| Year Ending June 30, | Street Improvements | | Street Improvements | | Total |
| | Issued June 1, 2005 | | Issued June 15, 2007 | | |
| | Interest Rates | Amount | Interest Rates | Amount | |
| 2010 | 3.75 | \$ 40,000 | 4.25 | \$ 50,000 | \$ 90,000 |
| 2011 | 3.90 | 40,000 | 4.30 | 50,000 | 90,000 |
| 2012 | 4.00 | 40,000 | 4.35 | 50,000 | 90,000 |
| 2013 | 4.10 | 40,000 | 4.40 | 50,000 | 90,000 |
| 2014 | 4.20 | 45,000 | 4.45 | 50,000 | 95,000 |
| 2015 | 4.30 | 45,000 | 4.50 | 50,000 | 95,000 |
| 2016 | | - | 4.55 | 50,000 | 50,000 |
| 2017 | | - | 4.60 | 55,000 | 55,000 |
| | | \$ 250,000 | | \$ 405,000 | \$ 655,000 |

| 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 | | |
| 2010 | 4.25 | \$ 25,319 | 4.86,5.25 | \$ 22,044 | 0.00 | \$ 50,000 | \$ 97,363 |
| 2011 | 4.25 | 26,395 | 4.86,5.25 | 23,178 | 0.00 | 50,000 | 99,573 |
| 2012 | 4.25 | 27,517 | 4.86,5.25 | 24,370 | 0.00 | 50,000 | 101,887 |
| 2013 | 4.25 | 28,687 | 5.25 | 19,659 | 0.00 | 50,000 | 98,346 |
| 2014 | 4.25 | 29,906 | | - | 0.00 | 50,000 | 79,906 |
| 2015 | | - | | - | 0.00 | 50,000 | 50,000 |
| 2016 | | - | | - | 0.00 | 50,000 | 50,000 |
| 2017 | | - | | - | 0.00 | 50,000 | 50,000 |
| | | <u>\$ 137,824</u> | | <u>\$ 89,251</u> | | <u>\$ 400,000</u> | <u>\$ 627,075</u> |

See accompanying independent auditor's report.

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

Schedule 4

| | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|---------------------------------------|----------------------------|----------------------------|----------------------------|
| RECEIPTS: | | | |
| Property tax | \$ 2,145,121 | \$ 1,930,397 | \$ 1,878,135 |
| Tax incremental financing collections | 750,648 | 863,628 | 801,663 |
| Other city tax | 325,975 | 354,607 | 322,460 |
| Licenses and permits | 40,075 | 33,710 | 27,486 |
| Uses of money and property | 16,996 | 81,758 | 83,292 |
| Intergovernmental | 739,943 | 747,580 | 711,213 |
| Charges for services | 188,611 | 183,557 | 182,917 |
| Special assessments | 222,843 | 254,420 | 170,804 |
| Miscellaneous | <u>208,042</u> | <u>211,335</u> | <u>375,817</u> |
| TOTAL | <u><u>\$ 4,638,254</u></u> | <u><u>\$ 4,660,992</u></u> | <u><u>\$ 4,553,787</u></u> |
| DISBURSEMENTS: | | | |
| Operating: | | | |
| Public safety | \$ 826,361 | \$ 776,276 | \$ 907,983 |
| Public works | 580,460 | 561,060 | 530,304 |
| Health and social services | 4,500 | 4,500 | 3,000 |
| Culture and recreation | 1,052,825 | 963,149 | 878,881 |
| Community and economic development | 254,724 | 260,223 | 337,126 |
| General government | 396,990 | 385,613 | 410,333 |
| Debt service | 1,648,843 | 2,260,080 | 1,314,041 |
| Capital projects | 1,653,750 | 1,263,763 | 4,107,189 |
| Business type activities | <u>-</u> | <u>965</u> | <u>-</u> |
| TOTAL | <u><u>\$ 6,418,453</u></u> | <u><u>\$ 6,475,629</u></u> | <u><u>\$ 8,488,857</u></u> |

See accompanying independent auditor's report.

| <u>2006</u> | <u>2005</u> |
|---------------------|---------------------|
| \$ 1,856,315 | \$ 1,815,026 |
| 769,518 | 713,047 |
| 311,528 | 210,607 |
| 28,568 | 29,831 |
| 123,163 | 55,493 |
| 730,438 | 791,715 |
| 162,774 | 112,847 |
| 251,903 | 208,722 |
| 292,992 | 261,777 |
| <u>\$ 4,527,199</u> | <u>\$ 4,199,065</u> |

| | |
|---------------------|---------------------|
| \$ 714,439 | \$ 758,943 |
| 507,333 | 507,548 |
| 3,000 | 3,000 |
| 827,767 | 697,301 |
| 294,662 | 384,100 |
| 353,632 | 338,534 |
| 1,412,611 | 1,079,456 |
| 3,945,896 | 1,491,659 |
| 750 | 372 |
| <u>\$ 8,060,090</u> | <u>\$ 5,260,913</u> |

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

Schedule 5

Rate and number of users of the system

- User Charges - The service charge for sewer is based on water consumed at a rate of \$6.00 per 100 cubic feet. There is a \$11.85 minimum charge.
- Number of Users - The City has approximately 1,870 residential users and approximately 255 commercial and industrial users.
- Largest Users - The largest sewer customers for the 2008-2009 year were as follows:

| <u>Customer</u> | <u>Cubic Feet Sold</u> |
|-----------------------------|------------------------|
| Star Quality Care Center | 321,800 |
| Winterset Care Center North | 317,600 |
| Best Kar Inc. East | 221,600 |
| Winterset Care Center South | 184,700 |
| Super 8 Motel | 163,700 |
| Winterset High School | 157,600 |
| Madison County Hospital | 141,000 |
| Lou and Coe Erpelding | 128,100 |
| Mahle Tennex | 125,300 |
| Winterset Elementary School | 117,200 |
| North Ward Plaza | 115,600 |

See accompanying independent auditor's report.

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

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

We have audited the accompanying financial statements of the government activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Winterset, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated February 18, 2010. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects City of Winterset, Iowa's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of City of Winterset, Iowa's financial statements that is more than inconsequential will not be prevented or detected by City of Winterset, Iowa's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by City of Winterset, Iowa's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe none of the significant deficiencies described above are material weaknesses.

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, 2009, 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, Smidgrasso, Mikkelsen & Co., P.C.

February 18, 2010

CITY OF WINTERSET, IOWA
SCHEDULE OF FINDINGS
Year Ended June 30, 2009

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

REPORTABLE CONDITIONS

2009-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:

2009-1 Certified Budget – The City's expenditures for the year ended June 30, 2009 did not exceed amounts budgeted.

2009-2 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.

2009-3 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

2009-4 Business Transactions – No business transactions between the City and City officials or employees were disclosed.

CITY OF WINTERSET, IOWA
SCHEDULE OF FINDINGS
Year Ended June 30, 2009

- 2009-5 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.
- 2009-6 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- 2009-7 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.
- 2009-8 Revenue Bonds and Notes - The City has complied with the revenue bond and note resolutions.
- 2009-9 Financial Condition – The Capital Projects, Downtown Improvement Project Fund had a deficit balance of \$68,964, the Sidewalk Project had a deficit balance of \$37,006, the Sewer Improvement Project had a deficit balance of \$2,912 and the Paving Project had a deficit balance of \$124,997 at June 30, 2009.

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

Response – Fund balance of a capital project improvement fund at the end of a fiscal year on June 30 reflects activity of the project in the middle of the construction season. The City issues bonds that finance construction projects at the end of the project when all costs are known. After the bonds are issued and the bond proceeds are received, the project fund no longer has a deficit balance.

Conclusion – Response acknowledged.