

CITY OF GUTHRIE CENTER, IOWA

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

City of Guthrie Center, Iowa

Table of Contents

	<u>Page</u>
Officials	1
Independent Auditor’s Report	2-3
Management’s Discussion and Analysis	4-9
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Statement of Activities and Net Assets – Cash Basis	A 10-11
Governmental Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 12
Proprietary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C 13
Fiduciary Fund Financial Statement:	
Statement of Changes in Fiduciary Net Assets	D 14
Notes to Financial Statements	15-25
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds	26-27
Notes to Required Supplementary Information – Budgetary Reporting	28
Other Supplementary Information:	<u>Schedule</u>
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1 29-31
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Proprietary Funds	2 32
Schedule of Indebtedness	3 33-34
Note Maturities	4 35-36
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	5 37
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 <u>Government Auditing Standards</u>	38-40
Schedule of Findings	41-43

City of Guthrie Center, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dennis Kunkle	Mayor	Jan 2008
Tim Benton	Council Member	Jan 2008
Duane Norgart	Council Member	Jan 2008
Gary Rees	Council Member	Jan 2008
Dennis Patrick	Council Member	Jan 2010
Bob Patterson	Council Member	Jan 2010
Scott Gonzales	Utility Trustee	Jan 2010
Ron Baier	Utility Trustee	Jan 2012
Kenneth Buttler, Jr.	Utility Trustee	Jan 2008
Laura Imerman	City Clerk/Treasurer	Jan 2008
Donna Benton	Deputy Clerk	Jan 2008
David Bruner	Attorney	Jan 2008

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Guthrie Center, Iowa, as of and for the year ended June 30, 2007, which along with the discretely presented component unit, collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Guthrie Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 that our audit provides a reasonable basis for our opinions.

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

The financial statement of The Guthrie Center Firefighters Association has not been audited, and we were not engaged to audit The Guthrie Center Firefighters Association's financial statement as part of our audit of the City's basic financial statements. The Guthrie Center Firefighters Association financial activities are included in the City's basic financial statements as a discretely presented component unit and represents 100 percent of the receipts and disbursements of the City's aggregate discretely presented component units. We did not audit the financial statement of the City of Guthrie Center's discretely presented component unit and do not express an opinion on such information.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Guthrie Center as of June 30, 2007, 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 11, 2008 on our consideration of the City of Guthrie Center'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 9 and 26 through 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required 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 financial statements that collectively comprise the City of Guthrie Center's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

February 11, 2008

**CITY OF GUTHRIE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

This discussion and analysis is intended to be an easily readable analysis of the City of Guthrie Center's financial activities for the fiscal year ended June 30, 2007 based on currently known facts, decisions or conditions. This analysis focuses on fiscal year 06-07 activities as compared to 05-06 and should be read in conjunction with the City's financial statements that begin on page 10.

Basis of Accounting

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

Report Layout

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

Statement of Activities

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

**CITY OF GUTHRIE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

Following the Statement of Activities is a section containing fund financial statements. In the Statement of Cash Receipts, Disbursements and Changes in Cash Balances the City's major funds are presented in their own column and the remaining funds are combined into a column titled "Other Nonmajor Governmental Funds." For each fund, a Schedule of Cash Transactions is presented which shows actual data for the current year. Readers who wish to obtain information on non-major funds can find it in the Statement of Cash Receipts, Disbursements and Changes in Cash Balances Nonmajor Governmental Funds on page 30. Finally, completing the document is a series of other financial schedules and the reports by the independent certified public accountants as required by statute.

The MD&A is intended to explain the significant changes in financial position and differences in operations between the current and prior years. Significant changes from the prior year are explained in the following paragraphs.

City as a whole

Government-Wide Financial Statements

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

Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The City's major governmental funds are the General Fund, Road Use Fund, and Debt Service Fund. Governmental funds are further broken down into the following activities:

Public Safety - This category includes police services, fire protection, and ambulance service.

Public Works - This category includes roads, sidewalks, street cleaning, street lighting, and snow removal.

Health and Social Services - This category includes mosquito control, if any.

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

Community and Economic Development - This category includes community and economic development, housing programs, and tax increment financing (TIF).

General Government - This category includes mayor, city council, city clerk/administrator, elections, legal services, city hall, the old library, and general liability insurance.

**CITY OF GUTHRIE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

Debt Service - This category includes general debt service.

Capital Projects - This category includes major projects within the City including construction of major capital facilities. For the year ending June 30, 2007 the Aquatic Center proposed final payment is listed under this category. For the year ending June 30, 2006 the Aquatic Center is listed under this category.

Business-Type (Proprietary) Funds - When the City charges customers for the services it provides, these services are generally reported in business-type or proprietary funds. These should be self-sufficient funds. The City's business-type funds are water, gas, solid waste, and sewer. All debt service and capital projects associated specifically with these funds are included in these funds.

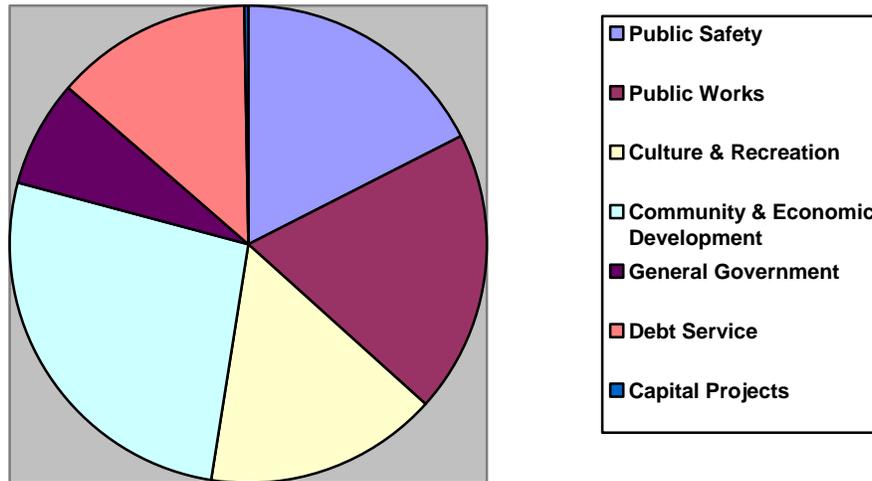
Second, of particular interest is the format that is significantly different than a typical Statement of Revenue, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue.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

Governmental Activities

For the year ended June 30, 2007, the City's governmental activities were funded 65% from general taxes levied, as compared to 62% for the year ended June 30, 2006. The remaining 35% of the City's governmental activities were funded through local option sales tax, fees, and interest. Property tax revenues were up minutely due to changes in assessed valuations. However, due to the continued residential rollback, the change in property tax revenue remains relatively flat. Local option sales tax revenues are down slightly due to accounting corrections at the state level. No new General Obligation Debt was issued during the year ending June 30, 2007.

**CITY OF GUTHRIE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

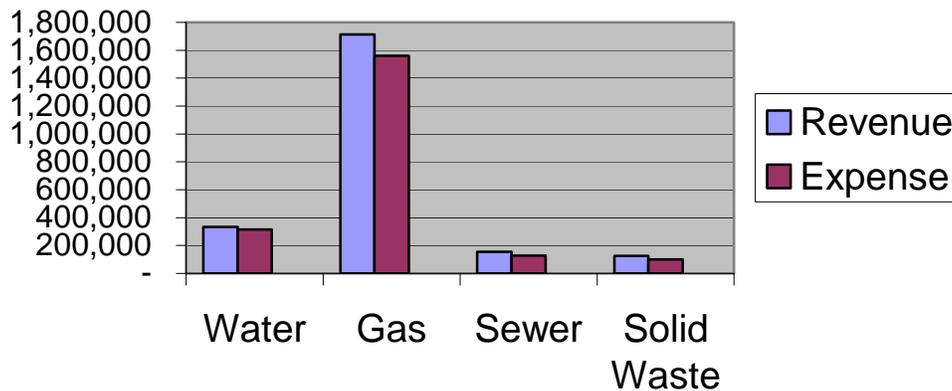
Uses of Funds in Governmental Activities



Community and Economic Development program expenses are up by over \$300,000 during FY06-07 as compared to FY05-06 due a Community Development Block Grant for Housing Rehabilitation received by the City. Community and Economic Development made up 27% of governmental program expenses for FY06-07. Public Works expenditures increased with purchases of a pickup, snow plow, and backhoe. Debt service has decreased. Total governmental expenses this year as compared to last fiscal year are shown in the pie chart above.

Business-type Activities

For the year ended June 30, 2007, the City's business-type activities revenues and expenses were as follows:



**CITY OF GUTHRIE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

The water expenditures for FY06-07 were slightly more than the previous fiscal year. Revenues are slightly up due annual rate increases by the Board of Trustees trying to keep the revenues greater than expenses. Gas expenditures are up due to the steady increase in the cost of natural gas which also accounts for the increase in gas revenues.

Debt Outstanding

As of year-end, the City had \$822,039 in debt outstanding as compared to \$1,007,613 in 2006.

Outstanding Debt at Year End

	Totals	
	<u>2007</u>	<u>2006</u>
Governmental		
General obligation	\$ 610,000	\$ 730,000
Tax increment	<u>17,039</u>	<u>22,613</u>
Subtotal	<u>627,039</u>	<u>752,613</u>
Business-type		
Water revenue	<u>195,000</u>	<u>255,000</u>
Subtotal	<u>195,000</u>	<u>255,000</u>
Total	<u>\$ 822,039</u>	<u>\$ 1,007,613</u>

Of the existing general obligation debt, the 1998 issuance will be paid in full in June 2008, the 2000 issuance will be paid in full in June 2010, and the 2004 issuance will be paid in full in June 2014.

TIF Rebates/Developer Rebates

The City has two TIF rebate agreements. The agreements are each for ten years. The agreements rebate tax payments made by the developer back to the developer except for the portion required for the school levy and the City debt levy. The City also has one Developer rebate agreement for a period of five years.

Economic Factors and Next year's budget and rates

The City's elected and appointed officials and citizens considered many factors when setting the 07-08 fiscal year budget and tax rates. The economy in Guthrie Center is steady but without any real growth. Property tax values are not on the rise. For the year ending June 30, 2008 the general fund has been budgeted fairly consistently with the 06-07 year. The budget does include the purchase of a vehicle for the police department and finalization of the CDBG Housing

**CITY OF GUTHRIE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

Rehabilitation grant expenditures. Final payment is expected to be made on the new aquatic center once the contractor has completed the winterization and training for City staff.

Financial Contact

The City's financial statements are designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the City Clerk/Administrator at 102 N. 1st Street, Guthrie Center, IA 50115 or by telephone at 332-2190.

Laura M. Imerman
City Clerk/Administrator

Basic Financial Statements

City of Guthrie Center, Iowa
Statement of Activities and Net Assets - Cash Basis
As of and for the year ended June 30, 2007

	Program Receipts			
		Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	
	Disbursements	Charges for Service	Interest	Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 203,740	42,227	24,464	-
Public works	222,028	-	141,910	-
Culture and recreation	184,573	68,780	-	-
Community and economic development	311,864	-	206,107	-
General government	83,583	2,758	-	-
Debt service	155,300	-	19,470	-
Capital projects	3,487	-	-	51,707
Total governmental activities	1,164,575	113,765	391,951	51,707
Business type activities:				
Water	331,414	334,147	-	-
Gas	1,559,916	1,713,052	-	-
Nonmajor business type activities	229,514	279,911	-	-
Total business type activities	2,120,844	2,327,110	-	-
Total primary government	\$ 3,285,419	2,440,875	391,951	51,707
Component Unit:				
Firefighters Association	\$ 35,348	168	-	-
General Receipts:				
Property and other city tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Miscellaneous				
Sale of assets				
Transfers in (out)				
Total general receipts and transfers				
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				
Debt service				
Other purposes				
Unrestricted:				
Total cash basis net assets				

See notes to financial statements.

Exhibit A

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

Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Guthrie Center Firefighters Association
(137,049)	-	(137,049)	-
(80,118)	-	(80,118)	-
(115,793)	-	(115,793)	-
(105,757)	-	(105,757)	-
(80,825)	-	(80,825)	-
(135,830)	-	(135,830)	-
48,220	-	48,220	-
<u>(607,152)</u>	<u>-</u>	<u>(607,152)</u>	<u>-</u>
-	2,734	2,734	-
-	153,136	153,136	-
-	50,397	50,397	-
-	206,267	206,267	-
<u>(607,152)</u>	<u>206,267</u>	<u>(400,886)</u>	<u>-</u>
-	-	-	<u>(35,180)</u>
352,264	-	352,264	-
47,443	-	47,443	-
157,107	-	157,107	-
159,006	-	159,006	-
26,067	122,856	148,923	1,593
32,376	25,551	57,927	46,791
15,140	-	15,140	-
61,690	(61,690)	-	-
<u>851,093</u>	<u>86,717</u>	<u>937,810</u>	<u>48,384</u>
243,941	292,984	536,925	13,204
676,814	3,281,873	3,958,687	95,652
<u>\$ 920,755</u>	<u>3,574,857</u>	<u>4,495,612</u>	<u>108,856</u>
\$ 114,821	-	114,821	-
31,536	75,000	106,536	-
421,259	-	421,259	-
353,139	3,499,857	3,852,996	108,856
<u>\$ 920,755</u>	<u>3,574,857</u>	<u>4,495,612</u>	<u>108,856</u>

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2007

	<u>General</u>	Other Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Receipts:			
Property tax	\$ 241,050	193,131	434,181
Tax increment financing	-	47,443	47,443
Other city tax	40,698	193,498	234,196
Licenses and permits	2,758	-	2,758
Use of money and property	48,749	5,016	53,765
Intergovernmental	250,041	141,910	391,951
Charges for service	111,008	-	111,008
Miscellaneous	4,197	52,187	56,384
Total receipts	<u>698,501</u>	<u>633,185</u>	<u>1,331,686</u>
Disbursements:			
Operating:			
Public safety	153,159	50,581	203,740
Public works	2,259	219,769	222,028
Culture and recreation	170,592	13,981	184,573
Community and economic development	270,188	41,676	311,864
General government	78,614	4,969	83,583
Debt service	-	155,300	155,300
Capital projects	-	3,487	3,487
Total disbursements	<u>674,812</u>	<u>489,763</u>	<u>1,164,575</u>
Excess of receipts over disbursements	<u>23,689</u>	<u>143,422</u>	<u>167,111</u>
Other financing sources (uses):			
Sale of capital assets	15,140	-	15,140
Transfers in	50,140	150,788	200,928
Transfers out	(29,038)	(110,200)	(139,238)
Total other financing sources (uses)	<u>36,242</u>	<u>40,588</u>	<u>76,830</u>
Net change in cash balances	59,931	184,010	243,941
Cash balances beginning of year	293,208	383,606	676,814
Cash balances end of year	<u>\$ 353,139</u>	<u>567,616</u>	<u>920,755</u>
Cash Basis Fund Balances			
Reserved:			
Debt service	\$ -	31,536	31,536
Unreserved:			
General fund	353,139	-	353,139
Special revenue funds	-	485,727	485,727
Permanent fund	-	50,340	50,340
Capital projects fund	-	13	13
Total cash basis fund balances	<u>\$ 353,139</u>	<u>567,616</u>	<u>920,755</u>

See notes to financial statements.

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2007

	Enterprise Funds			
	<u>Water</u>	<u>Gas</u>	Other Nonmajor Proprietary <u>Funds</u>	<u>Total</u>
Operating receipts:				
Use of money and property	\$ 871	5,200	-	6,071
Charges for service	<u>334,147</u>	<u>1,713,052</u>	<u>279,911</u>	<u>2,327,110</u>
Total operating receipts	<u>335,018</u>	<u>1,718,252</u>	<u>279,911</u>	<u>2,333,181</u>
Operating disbursements:				
Business type activities	<u>257,171</u>	<u>1,559,916</u>	<u>229,514</u>	<u>2,046,601</u>
Total operating disbursements	<u>257,171</u>	<u>1,559,916</u>	<u>229,514</u>	<u>2,046,601</u>
Excess of operating receipts over operating disbursements	<u>77,847</u>	<u>158,336</u>	<u>50,397</u>	<u>286,580</u>
Non-operating receipts (disbursements):				
Interest on investments	12,547	93,318	10,920	116,785
Miscellaneous	3,607	21,291	653	25,551
Debt service	<u>(74,243)</u>	<u>-</u>	<u>-</u>	<u>(74,243)</u>
Total non-operating receipts (disbursements)	<u>(58,089)</u>	<u>114,609</u>	<u>11,573</u>	<u>68,094</u>
Excess of receipts over disbursements	19,759	272,945	61,970	354,674
Operating transfers in (out)	<u>(25,140)</u>	<u>(25,000)</u>	<u>(11,550)</u>	<u>(61,690)</u>
Net change in cash balances	(5,382)	247,945	50,420	292,984
Cash balances beginning of year	<u>250,020</u>	<u>2,735,342</u>	<u>296,511</u>	<u>3,281,873</u>
Cash balances end of year	<u>\$ 244,639</u>	<u>2,983,287</u>	<u>346,931</u>	<u>3,574,857</u>
Cash Basis Fund Balances				
Reserved for:				
Debt service	\$ 75,000	-	-	75,000
Improvements	56,597	1,767,801	82,821	1,907,219
Meter deposits	7,019	32,528	1,891	41,438
Unreserved	<u>106,023</u>	<u>1,182,958</u>	<u>262,219</u>	<u>1,551,200</u>
Total cash basis fund balances	<u>\$ 244,639</u>	<u>2,983,287</u>	<u>346,931</u>	<u>3,574,857</u>

See notes to financial statements.

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

As of and for the year ended June 30, 2007

	<u>Miscellaneous Trust Funds</u>
Additions:	
Contributions	\$ <u>3,094</u>
Total additions	<u>3,094</u>
 Deductions:	
Total deductions	<u>-</u>
Change in net assets	3,094
Net assets - beginning of the year	<u>6,452</u>
Net assets - end of the year	<u><u>\$ 9,546</u></u>

See notes to financial statements.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

The City of Guthrie Center is a political subdivision of the State of Iowa located in Guthrie County. It was first incorporated in 1880 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 water, sewer, gas and solid waste utilities for its citizens.

A. Reporting Entity

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

These financial statements present the City of Guthrie Center and its component unit.

The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The Guthrie Center Firefighters Association is a separate nonprofit organization whose purpose is to help raise funds for the City of Guthrie Center's fire department. The records are maintained on the basis of cash receipts and disbursements, with December 31 as its fiscal year end. The Guthrie Center Firefighters meets the definition of a component which should be discretely presented. The Association's financial statement has not been audited and we do not express any opinion on the financial statement.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2007

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Guthrie County Assessor's Conference Board and the Regional Airport Authority.

B. Basis of Presentation

Government-wide Financial Statement – 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.

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.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2007

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

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts 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.

The City reports the following major proprietary funds:

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

The Gas Fund accounts for the operation and maintenance of the City's gas system.

The City also reports fiduciary funds which focus on net assets and changes in net assets and changes in net assets.

C. Measurement Focus and Basis of Accounting

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

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2007

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

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.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2007

The City's investments at June 30, 2007 are as follows:

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. government securities	\$ 349,600	346,050
	=====	=====

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.

(3) Notes Payable

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

<u>Year Ending June 30,</u>	<u>General Obligation Notes</u>		<u>Revenue Notes</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 125,000	28,515	60,000	10,632	185,000	39,147
2009	110,000	22,546	65,000	7,392	175,000	29,938
2010	110,000	17,180	70,000	3,850	180,000	21,030
2011	120,000	11,729	---	---	120,000	11,729
2012	35,000	5,735	---	---	35,000	5,735
2013	35,000	4,405	---	---	35,000	4,405
2014	35,000	3,040	---	---	35,000	3,040
2015	<u>40,000</u>	<u>1,640</u>	<u>---</u>	<u>---</u>	<u>40,000</u>	<u>1,640</u>
Total	<u>\$ 610,000</u>	<u>94,790</u>	<u>195,000</u>	<u>21,874</u>	<u>805,000</u>	<u>116,664</u>
	=====	=====	=====	=====	=====	=====

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2007

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 separate water revenue note sinking accounts for the purpose of making the note principal and interest payments when due.
- (c) A reserve account balance of \$55,000 shall be set aside to be used as a pledge for payment of principal and interest on the water revenue note should the sinking fund be insufficient to pay the interest and principal when due.

(4) Urban Renewal Notes

The urban renewal tax increment revenue bond anticipation project note is to be repaid upon collection of TIF revenues. The interest rate is 5% and payments are variable based on collection of TIF revenues.

(5) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$30,414, \$29,366, and \$28,272, respectively, equal to the required contributions for each year.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2007

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave and comp time 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. The City's approximate liability for earned vacation, sick leave and comp time termination payments payable to employees at June 30, 2007, primarily relating to business type activities is as follows: This liability has been computed based on rates of pay in effect at June 30, 2007.

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 39,000
Sick leave	6,200
Comp time	<u>700</u>
Total	\$ 45,900 =====

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2007

(7) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
General	Enterprise:	
	Water	\$ 25,140
	Gas	25,000
Special Revenue:		
Fire/EMS	General	29,038
Road Use Tax	Enterprise:	
	Solid Waste	11,550
Fire Truck	Special Revenue:	
Replacement	Local option sales tax	10,000
Capital Projects:	Special Revenue:	
Swimming pool	Local option sales tax	<u>100,200</u>
Total		\$ 200,928 =====

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

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2007

(8) Risk Management

The City of Guthrie Center is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 556 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2007 were \$54,400.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2007

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2007 settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation liability. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2007

(9) Related Party Transactions

The City had business transactions totaling \$11,701 between the City and City officials, during the year ended June 30, 2007.

(10) Industrial Development Revenue Bonds

The City has issued a total of \$700,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$310,000 is outstanding at June 30, 2007. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

(11) Commitments

As of June 30, 2007, the City had the following commitments with respect to major projects:

<u>Project</u>	<u>Commitment</u>
Fire station improvements	\$ 12,400
Water tower maintenance	89,300
Amphitheater	5,000
Sports complex	10,000
Hospital improvements	10,000

Required Supplementary Information

City of Guthrie Center, Iowa

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2007

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 434,181	-
Tax increment financing collections	47,443	-
Other city tax	234,196	-
Licenses and permits	2,758	-
Use of money and property	53,765	122,856
Intergovernmental	391,951	-
Charges for service	111,008	2,327,110
Miscellaneous	56,384	25,551
Total receipts	<u>1,331,686</u>	<u>2,475,517</u>
Disbursements:		
Public safety	203,740	-
Public works	222,028	-
Health and social services	-	-
Culture and recreation	184,573	-
Community and economic development	311,864	-
General government	83,583	-
Debt service	155,300	-
Capital projects	3,487	-
Business type activities	-	2,120,844
Total disbursements	<u>1,164,575</u>	<u>2,120,844</u>
Excess (deficiency) of receipts over (under) disbursements	167,111	354,674
Other financing sources, net	<u>76,830</u>	<u>(61,690)</u>
Excess of receipts and other financing sources over disbursements	243,941	292,984
Balances beginning of year	<u>676,814</u>	<u>3,281,873</u>
Balances end of year	<u>\$ 920,755</u>	<u>3,574,857</u>

See accompanying independent auditor's report.

<u>Net</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
	<u>Original</u>	<u>Final</u>	
434,181	478,516	478,516	(44,335)
47,443	51,000	51,000	(3,557)
234,196	158,359	171,729	62,467
2,758	2,965	3,280	(522)
176,621	105,200	134,500	42,121
391,951	337,900	384,345	7,606
2,438,118	2,873,835	2,383,925	54,193
81,935	1,750	9,910	72,025
<u>3,807,203</u>	<u>4,009,525</u>	<u>3,617,205</u>	<u>189,998</u>
203,740	211,165	245,485	41,745
222,028	427,850	222,245	217
-	5,000	5,000	5,000
184,573	183,930	199,790	15,217
311,864	225,925	330,425	18,561
83,583	85,649	91,689	8,106
155,300	155,300	155,300	-
3,487	-	58,000	54,513
2,120,844	2,993,530	2,212,346	91,503
<u>3,285,419</u>	<u>4,288,349</u>	<u>3,520,280</u>	<u>234,862</u>
521,785	(278,824)	96,925	424,860
15,140	-	10,140	5,000
536,925	(278,824)	107,065	429,860
<u>3,958,687</u>	<u>3,924,205</u>	<u>3,924,205</u>	<u>34,482</u>
<u><u>4,495,612</u></u>	<u><u>3,645,381</u></u>	<u><u>4,031,270</u></u>	<u><u>464,342</u></u>

City of Guthrie Center, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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 except Internal Service Funds and Fiduciary 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. 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, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the 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, budget amendments decreased budgeted revenues by \$392,320, decreased budgeted disbursements by \$768,069, and increased other financing services by \$10,140. The budget amendment is reflected in the final budgeted amounts.

Other Supplementary Information

City of Guthrie Center, Iowa

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2007

	Road Use Tax	Employee Benefits	Emergency	Local Option Sales Tax	Special Fire/ EMS
Receipts:					
Property tax	\$ -	55,057	6,901	-	-
Tax increment financing	-	-	-	-	-
Other city tax	-	7,598	961	159,006	-
Use of money and property	-	931	2,362	-	935
Intergovernmental	139,019	-	-	-	-
Miscellaneous	-	-	-	-	-
Total receipts	<u>139,019</u>	<u>63,586</u>	<u>10,224</u>	<u>159,006</u>	<u>935</u>
Disbursements:					
Operating:					
Public safety	-	42,895	-	3,786	3,900
Public works	158,174	20,111	-	41,484	-
Culture and recreation	-	8,297	-	2,388	-
Community and economic development	-	-	-	-	-
General government	-	4,969	-	-	-
Debt service	-	-	-	-	-
Capital Projects	-	-	-	-	-
Total disbursements	<u>158,174</u>	<u>76,272</u>	<u>-</u>	<u>47,658</u>	<u>3,900</u>
Excess (deficiency) of receipts over (under) disbursements	(19,155)	(12,686)	10,224	111,348	(2,965)
Other financing sources (uses):					
Transfers in	11,550	-	-	-	29,038
Transfers out	-	-	-	(110,200)	-
Total other financing sources (uses)	<u>11,550</u>	<u>-</u>	<u>-</u>	<u>(110,200)</u>	<u>29,038</u>
Net change in cash balances	(7,605)	(12,686)	10,224	1,148	26,073
Cash balances beginning of year	<u>122,426</u>	<u>44,678</u>	<u>82,065</u>	<u>157,794</u>	<u>41,151</u>
Cash balances end of year	<u>\$ 114,821</u>	<u>31,992</u>	<u>92,289</u>	<u>158,942</u>	<u>67,224</u>
Cash Basis Fund Balances					
Reserved:					
Debt Service	-	-	-	-	-
Unreserved:					
Special revenue funds	\$ 114,821	31,992	92,289	158,942	67,224
Capital projects	-	-	-	-	-
Permanent fund	-	-	-	-	-
Total cash basis fund balances	<u>\$ 114,821</u>	<u>31,992</u>	<u>92,289</u>	<u>158,942</u>	<u>67,224</u>

See accompanying independent auditor's report.

Schedule 1

Revenue				
Library Expendable Trust	TIF Somerset	TIF CTR Assembly	TIF FSA Building	Fire Truck Replacement
-	-	-	-	-
-	25,617	8,231	13,595	-
-	-	-	-	-
-	-	-	-	-
2,891	-	-	-	-
-	-	-	-	-
<u>2,891</u>	<u>25,617</u>	<u>8,231</u>	<u>13,595</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
3,296	-	-	-	-
-	17,952	10,054	13,670	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>3,296</u>	<u>17,952</u>	<u>10,054</u>	<u>13,670</u>	<u>-</u>
(405)	7,665	(1,823)	(75)	-
-	-	-	-	10,000
-	-	-	-	-
-	-	-	-	<u>10,000</u>
(405)	7,665	(1,823)	(75)	10,000
<u>1,767</u>	<u>2,503</u>	<u>906</u>	<u>(79)</u>	<u>-</u>
<u>1,362</u>	<u>10,168</u>	<u>(917)</u>	<u>(154)</u>	<u>10,000</u>
-	-	-	-	-
1,362	10,168	(917)	(154)	10,000
-	-	-	-	-
-	-	-	-	-
<u>1,362</u>	<u>10,168</u>	<u>(917)</u>	<u>(154)</u>	<u>10,000</u>

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2007

	Debt Service	Capital Projects Swimming Pool	Cemetery Perpetual Care	Total
Receipts:				
Property tax	131,173	-	-	193,131
Tax increment financing collections	-	-	-	47,443
Other city tax	25,933	-	-	193,498
Use of money and property	788	-	-	5,016
Intergovernmental	-	-	-	141,910
Miscellaneous	-	51,707	480	52,187
Total receipts	<u>157,894</u>	<u>51,707</u>	<u>480</u>	<u>633,185</u>
Disbursements:				
Operating:				
Public safety	-	-	-	50,581
Public works	-	-	-	219,769
Culture and recreation	-	-	-	13,981
Community and economic development	-	-	-	41,676
General government	-	-	-	4,969
Debt service	155,300	-	-	155,300
Capital Projects	-	3,487	-	3,487
Total disbursements	<u>155,300</u>	<u>3,487</u>	<u>-</u>	<u>489,763</u>
Excess (deficiency) of receipts over (under) disbursements	2,594	48,220	480	143,422
Other financing sources (uses):				
Transfers in	-	100,200	-	150,788
Transfers out	-	-	-	(110,200)
Total other financing sources (uses)	<u>-</u>	<u>100,200</u>	<u>-</u>	<u>40,588</u>
Net change in cash balances	2,594	148,420	480	184,010
Cash balances beginning of year	<u>28,942</u>	<u>(148,407)</u>	<u>49,860</u>	<u>383,606</u>
Cash balances end of year	<u>31,536</u>	<u>13</u>	<u>50,340</u>	<u>567,616</u>
Cash Basis Fund Balances				
Reserved:				
Debt Service	31,536	-	-	31,536
Unreserved:				
Special revenue funds	-	-	-	485,727
Capital projects	-	13	-	13
Permanent fund	-	-	50,340	50,340
Total cash basis fund balances	<u>-</u>	<u>13</u>	<u>50,340</u>	<u>567,616</u>

See accompanying independent auditor's report.

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2007

	Enterprise Funds		
	<u>Solid Waste</u>	<u>Sewer</u>	<u>Total</u>
Operating receipts:			
Charges for service	\$ 124,534	155,377	279,911
Total operating receipts	<u>124,534</u>	<u>155,377</u>	<u>279,911</u>
Operating disbursements:			
Business type activities	<u>100,946</u>	<u>128,568</u>	<u>229,514</u>
Total operating disbursements	<u>100,946</u>	<u>128,568</u>	<u>229,514</u>
Excess of operating receipts over operating disbursements	<u>23,588</u>	<u>26,809</u>	<u>50,397</u>
Non-operating receipts:			
Interest on investments	3,862	7,058	10,920
Miscellaneous	75	578	653
Transfers Out	<u>(11,550)</u>	<u>-</u>	<u>(11,550)</u>
Total non-operating receipts	<u>(7,613)</u>	<u>7,636</u>	<u>23</u>
Excess of receipts over disbursements	15,975	34,445	50,420
Cash balances beginning of year	<u>125,562</u>	<u>170,949</u>	<u>296,511</u>
Cash balances end of year	<u>\$ 141,537</u>	<u>205,394</u>	<u>346,931</u>
Cash Basis Fund Balances			
Reserved:			
Improvements	\$ -	82,821	82,821
Meter deposits	-	1,891	1,891
Unreserved	<u>141,537</u>	<u>120,682</u>	<u>262,219</u>
Total cash basis fund balances	<u>\$ 141,537</u>	<u>205,394</u>	<u>346,931</u>

See accompanying independent auditor's report.

City of Guthrie Center, Iowa

Schedule of Indebtedness

Year ended June 30, 2007

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation notes:			
Storm sewer improvements notes	Feb 1, 1998	4.10 - 4.80%	\$ 180,000
Corporate purpose	May 1, 2000	5.00 - 5.55%	\$ 690,000
Swimming pool notes series 2005	Apr 1, 2005	2.80 - 4.10%	\$ 365,000
Total			
Revenue notes:			
Water	May 1, 2000	5.00 - 5.50%	\$ 550,000
Urban renewal tax increment revenue bond anticipation project note	Apr 24, 1995	6.00%	\$ 100,835

See accompanying independent auditor's report.

Schedule 3

<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>
40,000	-	20,000	20,000	1,900	-
390,000	-	70,000	320,000	21,273	-
<u>300,000</u>	<u>-</u>	<u>30,000</u>	<u>270,000</u>	<u>10,928</u>	<u>-</u>
<u>\$ 730,000</u>	<u>-</u>	<u>120,000</u>	<u>610,000</u>	<u>34,101</u>	<u>-</u>
<u>\$ 255,000</u>	<u>-</u>	<u>60,000</u>	<u>195,000</u>	<u>13,843</u>	<u>-</u>
<u>\$ 22,613</u>	<u>-</u>	<u>17,039</u>	<u>5,574</u>	<u>913</u>	<u>-</u>

City of Guthrie Center, Iowa

Note Maturities

June 30, 2007

Year Ending <u>June 30,</u>	<u>General Obligation Notes</u>	
	<u>Storm Sewer Improvements</u>	
	<u>Issued Feb 1, 1998</u>	
	Interest	
	<u>Rates</u>	<u>Amount</u>
2008	4.80	20,000
2009		-
2010		-
2011		-
2012		-
2013		-
2014		-
2015		-
Total		<u>\$ 20,000</u>

Year Ending <u>June 30,</u>	<u>Revenue Notes</u>	
	<u>Water Revenue</u>	
	<u>Issued May 1, 2000</u>	
	Interest	
	<u>Rates</u>	<u>Amount</u>
2008	5.40	60,000
2009	5.45	65,000
2010	5.50	70,000
Total		<u>\$ 195,000</u>

See accompanying independent auditor's report.

Schedule 4

<u>Corporate Purpose</u>		<u>Swimming Pool Notes</u>		
<u>Issued May 1, 2000</u>		<u>Issued Apr 1, 2005</u>		
Interest		Interest		
<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Total</u>
5.40	75,000	3.20	30,000	125,000
5.45	80,000	3.35	30,000	110,000
5.50	80,000	3.50	30,000	110,000
5.55	85,000	3.65	35,000	120,000
	-	3.80	35,000	35,000
	-	3.90	35,000	35,000
	-	4.00	35,000	35,000
	-	4.10	40,000	40,000
	<u>\$ 320,000</u>		<u>\$ 270,000</u>	<u>\$ 610,000</u>

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Four Years

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Receipts:				
Property tax	\$ 434,181	534,965	544,977	518,592
Tax increment financing	47,443	47,344	46,792	42,279
Other city tax	234,196	201,501	157,241	63,582
Licenses and permits	2,758	4,336	3,803	3,548
Use of money and property	53,765	58,366	36,921	28,980
Intergovernmental	391,951	286,462	237,540	175,138
Charges for service	111,008	88,494	78,904	40,821
Miscellaneous	56,384	368,926	2,311	10,162
	<u>1,331,686</u>	<u>1,590,394</u>	<u>1,108,489</u>	<u>883,102</u>
Total				
Disbursements:				
Operating				
Public safety	203,740	201,319	201,961	154,866
Public works	222,028	131,015	156,335	146,453
Culture and recreation	184,573	208,211	159,762	127,746
Community and economic development	311,864	65,297	30,858	25,929
General government	83,583	106,096	109,513	89,133
Debt service	155,300	267,050	218,271	232,415
Capital projects	3,487	952,625	144,267	-
	<u>1,164,575</u>	<u>1,931,613</u>	<u>1,020,967</u>	<u>776,542</u>
Total	\$ 1,164,575	1,931,613	1,020,967	776,542

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:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Guthrie Center, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 11, 2008. 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 the City of Guthrie Center'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 the City of Guthrie Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Guthrie Center'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 and other deficiencies we consider to be material weaknesses.

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 the City of Guthrie Center'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 the City of Guthrie Center's financial statements that is more than inconsequential will not be prevented or detected by the City of Guthrie Center's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be a significant deficiency 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 the City of Guthrie Center'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, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Guthrie Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance 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 Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 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.

The City of Guthrie Center'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 the City of Guthrie Center'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 Guthrie Center and other parties to whom the City of Guthrie Center may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Guthrie Center during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

February 11, 2008

City of Guthrie Center, Iowa

Schedule of Findings

Year ended June 30, 2007

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-07 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. The bank reconciliations and financial statements are all done by the same person.

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

Response - We feel we have a division of duties in City Hall; we have a City Clerk/ Treasurer and a Deputy Clerk. We provide detailed reports to the Mayor, Council, and various boards. We try to segregate duties as much as possible with our staff. Therefore, we feel that we are doing as much as we can for internal accounting control based on the size of our City.

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting:

II-A-07 Certified Budget - Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted.

II-B-07 Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

City of Guthrie Center, Iowa

Schedule of Findings

Year ended June 30, 2007

II-C-07 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-07 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Scott Gonzales, Utility Trustee; Owner of Guthrie Center Times	Official notices, publications	\$ 5,469
Kenneth Buttler, Jr., Utility Trustee; Owner of K.H. Buttler Construction	Snow removal, dirt sand and rock	4,887
Gary Rees, Council Member	Mowing at the library	1,345

In accordance with Chapter 362.5(6) of the Code of Iowa, the transaction with the owner of the newspaper does not appear to represent a conflict of interest since the Guthrie Center Times is the only local newspaper and has been designated as the City's official newspaper.

In accordance with Chapter 362.5(4) of the Code of Iowa, the transactions with Kenneth Buttler, Jr., Utility Trustee do not appear to represent conflicts of interest since the transactions were entered into through competitive bidding.

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the council member does not appear to represent a conflict of interest since the total transactions were less than \$1,500 during the fiscal year.

II-E-07 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that coverage is adequate for current operations.

City of Guthrie Center, Iowa

Schedule of Findings

Year ended June 30, 2007

II-F-07 Council Minutes - Out of eighteen disbursements tested we noted one disbursement that was not approved in the council minutes or published as a paid claim.

Recommendation – The City should make sure all claims are approved and published.

Response – This was an oversight this year. We will double check more closely in the future.

Conclusion – Response accepted.

II-G-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy were noted. The City had a money market account that was held in a depository outside the state.

II-H-07 Revenue Notes - No violations of the revenue note resolutions were noted.