

**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, 2009**

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	15-24
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds	25-26
Notes to Required Supplementary Information – Budgetary Reporting	27
Other Supplementary Information:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1 28-29
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Proprietary Funds	2 30
Schedule of Indebtedness	3 31-32
Note Maturities	4 33
Schedule of Receipts By Source and Disbursements By Function – All Governmental Funds	5 34-35
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>	36-38
Schedule of Findings	39-42

**City of Guthrie Center, Iowa**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dennis Kunkle	Mayor	Jan 2010
Tim Benton	Council Member	Jan 2012
Duane Norgart	Council Member	Jan 2012
Craig Heckman	Council Member	Jan 2012
Dennis Patrick	Council Member	Jan 2010
Bob Patterson	Council Member	Jan 2010
Scott Gonzales	Utility Trustee	Jan 2010
Ron Baier	Utility Trustee	Jan 2012
Elden Wolfe	Utility Trustee	Jan 2014
Laura Imerman	City Clerk/Treasurer	Jan 2010
Donna Benton	Deputy Clerk	Jan 2010
David Bruner	Attorney	Jan 2010

## 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, 2009 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's 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, 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 November 9 2009 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 25 through 27 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 five years ended June 30, 2008 (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

November 9, 2009

**CITY OF GUTHRIE CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2009**

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, 2009 based on currently known facts, decisions or conditions. This analysis focuses on fiscal year 08-09 activities as compared to 07-08 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, 2009**

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, 2009**

**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, 2008 the Aquatic Center's final payment 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.

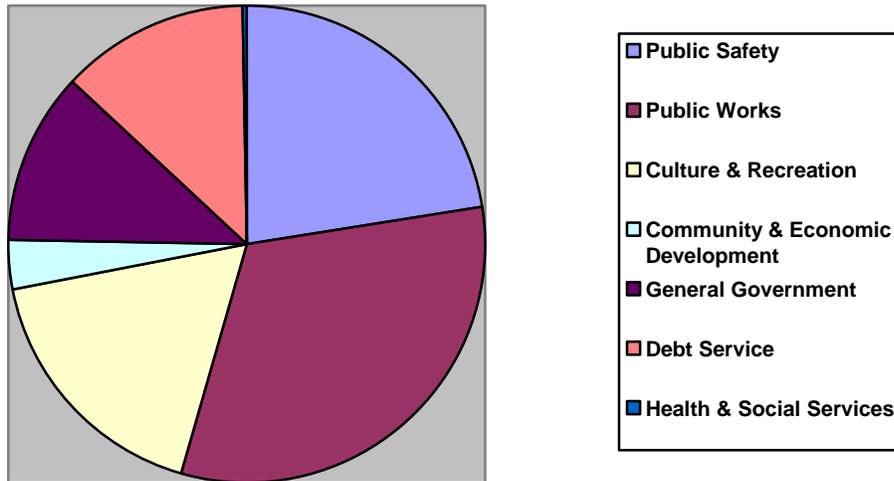
Second, of particular interest is the format that is significantly different than a typical Statement of Revenue, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. 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, 2009, the City's governmental activities were funded 69% from general taxes levied, as compared to 76% for the year ended June 30, 2007. The remaining 31% of the City's governmental activities were funded through local option sales tax, fees, interest and sales of assets. The City sold its interest in the property East of the hospital to the hospital for their expansion. Property tax revenues were down and the downward trend is expected to continue. No new General Obligation Debt was issued during the year ending June 30, 2009.

**CITY OF GUTHRIE CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2009**

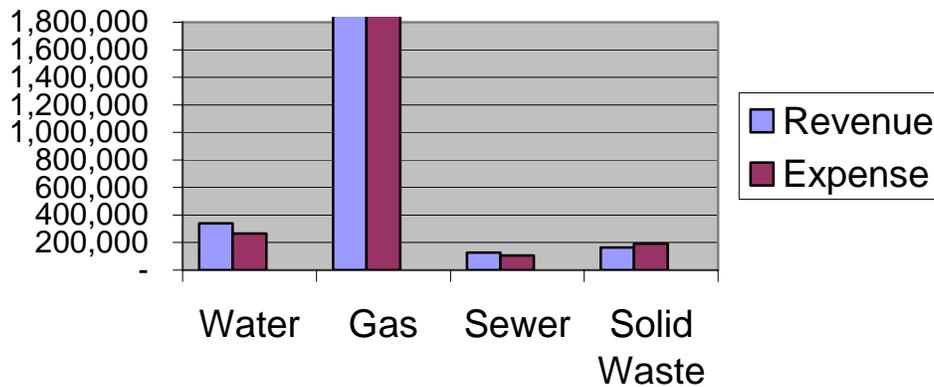
Uses of Funds in Governmental Activities



Public Works spending is up over \$200,000 in FY08-09 as compared to FY07-08 due to seal coating several streets in town and doing an asphalt overlay on several streets. During the year the City was notified it was being awarded \$526,815 for a Neighborhood Stabilization Program Grant and \$349,990 for a CDBG Housing Rehabilitation Grant. Expenditures on the programs are not expected until the 09-10 fiscal year. All other expenditures are comparable to last fiscal year and are shown in the pie chart above.

**Business-type Activities**

For the year ended June 30, 2009, the City's business-type activities revenues and expenses were as follows:



**CITY OF GUTHRIE CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2009**

The gas expenditures for FY08-09 were up due to construction of a new housing development called Cameron Flats Subdivision. The subdivision will be completed during FY09-10. Sewer expenditures are more than revenues due to the installation of a backup generator at the wastewater treatment plant. Solid Waste receipts are less in FY 08-09 as compared to the year before due to an increase in rates paid to the garbage hauler. Net water revenues remain relatively flat from year to year.

**Debt Outstanding**

As of year-end, the City had \$445,000 in debt outstanding as compared to \$620,000 in 2008.

**Outstanding Debt at Year End**

	<b>Totals</b>	
	<u><b>2009</b></u>	<u><b>2008</b></u>
Governmental		
General obligation	\$ 375,000	\$ 485,000
Tax increment	<u>0</u>	<u>0</u>
Subtotal	<u>375,000</u>	<u>485,000</u>
Business-type		
Water revenue	<u>70,000</u>	<u>135,000</u>
Subtotal	<u>70,000</u>	<u>135,000</u>
<b>Total</b>	<u><u>\$ 445,000</u></u>	<u><u>\$ 620,000</u></u>

Of the existing general obligation debt 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 09-10 fiscal year budget and tax rates. The economy in Guthrie Center is at the time of preparing the budget was steady but without any real growth. Currently the economy is in a downturn. Property tax values are not on the rise. For the year ending June 30, 2009 the general fund has been budgeted fairly consistently with the 08-09 year. The budget does include the

**CITY OF GUTHRIE CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2009**

purchase of a police vehicle and the purchase of a loader along with street seal coating on various streets. The Board of Trustees is continuing to look at necessary work on its infrastructure and long with completing work at Cameron Flats Subdivision.

**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. 1<sup>st</sup> 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, 2009

		Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 232,638	88,661	59,880	-
Public works	333,580	-	138,394	-
Health and social services	3,700	-	-	-
Culture and recreation	181,636	62,356	24,218	-
Community and economic development	33,792	-	-	-
General government	119,969	3,673	-	-
Debt service	133,345	-	-	-
Total governmental activities	1,038,660	154,690	222,492	-
Business type activities:				
Water	631,639	339,390	-	-
Gas	2,386,858	2,016,144	-	-
Nonmajor business type activities	298,490	293,289	-	-
Total business type activities	3,316,987	2,648,823	-	-
<b>Total primary government</b>	<b>\$ 4,355,647</b>	<b>2,803,513</b>	<b>222,492</b>	<b>-</b>
<b>Component Unit:</b>				
Firefighters Association	\$ 66,450	-	-	-
<b>General Receipts:</b>				
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				
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				
<b>Cash Basis Net Assets</b>				
Restricted:				
Streets				
Debt service				
Other purposes				
Unrestricted:				
<b>Total cash basis net assets</b>				

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
(84,097)	-	(84,097)	-
(195,186)	-	(195,186)	-
(3,700)	-	(3,700)	-
(95,062)	-	(95,062)	-
(33,792)	-	(33,792)	-
(116,296)	-	(116,296)	-
(133,345)	-	(133,345)	-
<u>(661,478)</u>	<u>-</u>	<u>(661,478)</u>	<u>-</u>
-	(292,249)	(292,249)	-
-	(370,714)	(370,714)	-
<u>-</u>	<u>(5,201)</u>	<u>(5,201)</u>	<u>-</u>
<u>-</u>	<u>(668,164)</u>	<u>(668,164)</u>	<u>-</u>
<u>(661,478)</u>	<u>(668,164)</u>	<u>(1,329,642)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(66,450)</u>
407,010	-	407,010	-
25,988	-	25,988	-
134,738	-	134,738	-
122,095	-	122,095	-
49,447	125,706	175,153	-
48,428	66,583	115,011	79,626
37,750	-	37,750	-
<u>825,456</u>	<u>192,289</u>	<u>1,017,745</u>	<u>79,626</u>
163,978	(475,875)	(311,897)	13,176
1,214,545	3,948,134	5,162,679	98,300
<u>\$ 1,378,523</u>	<u>3,472,259</u>	<u>4,850,782</u>	<u>111,476</u>
\$ 179,859	-	179,859	-
35,650	75,000	110,650	-
580,838	-	580,838	-
582,176	3,397,259	3,979,435	111,476
<u>\$ 1,378,523</u>	<u>3,472,259</u>	<u>4,850,782</u>	<u>111,476</u>

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

As of and for the year ended June 30, 2009

	<u>General</u>	Other Nonmajor Governmental <u>Funds</u>	<u>Total</u>
<b>Receipts:</b>			
Property tax	\$ 266,722	214,463	481,185
Tax increment financing	-	25,988	25,988
Other city tax	38,447	150,315	188,762
Licenses and permits	3,673	-	3,673
Use of money and property	74,475	8,572	83,047
Intergovernmental	80,680	141,812	222,492
Charges for service	151,017	-	151,017
Miscellaneous	8,364	360	8,724
Total receipts	<u>623,378</u>	<u>541,510</u>	<u>1,164,888</u>
<b>Disbursements:</b>			
Operating:			
Public safety	181,391	51,247	232,638
Public works	5,287	328,293	333,580
Health and social services	3,700	-	3,700
Culture and recreation	169,927	11,709	181,636
Community and economic development	8,379	25,413	33,792
General government	114,328	5,641	119,969
Debt service	-	133,345	133,345
Total disbursements	<u>483,012</u>	<u>555,648</u>	<u>1,038,660</u>
Excess (deficiency) of receipts over (under) disbursements	<u>140,366</u>	<u>(14,138)</u>	<u>126,228</u>
<b>Other financing sources (uses):</b>			
Sale of capital assets	37,750	-	37,750
Transfers in	1,218	40,893	42,111
Transfers out	(30,893)	(11,218)	(42,111)
Total other financing sources (uses)	<u>8,075</u>	<u>29,675</u>	<u>37,750</u>
Net change in cash balances	148,441	15,537	163,978
Cash balances beginning of year	433,735	780,810	1,214,545
Cash balances end of year	<u>\$ 582,176</u>	<u>796,347</u>	<u>1,378,523</u>
<b>Cash Basis Fund Balances</b>			
Reserved:			
Debt service	\$ -	35,650	35,650
Unreserved:			
General fund	582,176	-	582,176
Special revenue funds	-	709,817	709,817
Permanent fund	-	50,880	50,880
Total cash basis fund balances	<u>\$ 582,176</u>	<u>796,347</u>	<u>1,378,523</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, 2009

	Enterprise Funds			
	<u>Water</u>	<u>Gas</u>	Other Nonmajor Proprietary <u>Funds</u>	<u>Total</u>
Operating receipts:				
Use of money and property	\$ 1,250	1,911	-	3,161
Charges for service	339,390	2,016,144	293,289	2,648,823
Total operating receipts	<u>340,640</u>	<u>2,018,055</u>	<u>293,289</u>	<u>2,651,984</u>
Operating disbursements:				
Business type activities	266,298	1,917,782	298,490	2,482,570
Total operating disbursements	<u>266,298</u>	<u>1,917,782</u>	<u>298,490</u>	<u>2,482,570</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>74,342</u>	<u>100,273</u>	<u>(5,201)</u>	<u>169,414</u>
Non-operating receipts (disbursements):				
Interest on investments	7,968	100,952	13,625	122,545
Miscellaneous	6,049	26,201	34,333	66,583
Debt service	(72,793)	-	-	(72,793)
Capital projects	(292,548)	(469,076)	-	(761,624)
Total non-operating receipts (disbursements)	<u>(351,324)</u>	<u>(341,923)</u>	<u>47,958</u>	<u>(645,289)</u>
Excess (deficiency) of receipts over (under) disbursements	(276,982)	(241,650)	42,757	(475,875)
Operating transfers in (out)	<u>208,896</u>	<u>(208,896)</u>	<u>-</u>	<u>-</u>
Net change in cash balances	(68,086)	(450,546)	42,757	(475,875)
Cash balances beginning of year	<u>262,020</u>	<u>3,263,219</u>	<u>422,895</u>	<u>3,948,134</u>
Cash balances end of year	<u>\$ 193,934</u>	<u>2,812,673</u>	<u>465,652</u>	<u>3,472,259</u>
<b>Cash Basis Fund Balances</b>				
Reserved for:				
Debt service	\$ 75,000	-	-	75,000
Improvements	62,542	1,595,820	104,542	1,762,904
Meter deposits	7,514	35,159	2,857	45,530
Unreserved	<u>48,878</u>	<u>1,181,694</u>	<u>358,253</u>	<u>1,588,825</u>
Total cash basis fund balances	<u>\$ 193,934</u>	<u>2,812,673</u>	<u>465,652</u>	<u>3,472,259</u>

See notes to financial statements.

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

As of and for the year ended June 30, 2009

	<u>Miscellaneous Trust Funds</u>
<b>Additions:</b>	
Contributions	\$ 36,881
Total additions	<u>36,881</u>
<b>Deductions:</b>	
Total deductions	<u>35,917</u>
Change in net assets	964
Net assets - beginning of the year	<u>18,088</u>
Net assets - end of the year	<u><u>\$ 19,052</u></u>

See notes to financial statements.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2009

**(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, 2009

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, 2009

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, 2009

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, 2009, disbursements did not exceed the amounts budgeted.

**E. Subsequent Events**

Subsequent events have been evaluated through November 9, 2009 which is the date the financial statements were available to be issued.

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

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2009

There were no investments at June 30, 2009. During the year, the City invested its excess funds in certificates of deposit and money market savings accounts.

**(3) Notes Payable**

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

Year Ending June 30,	General Obligation Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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>\$ 375,000</u>	<u>43,730</u>	<u>70,000</u>	<u>3,850</u>	<u>445,000</u>	<u>47,580</u>

Revenue Notes

The City has pledged future water customer receipts, net of operating disbursements, to repay \$550,000 in water revenue notes issued in May 2000. Proceeds from the notes provided financing for water improvements. The notes are payable solely from water customer net receipts and are payable through 2010. The total principal and interest remaining to be paid on the notes is \$73,850. For the current year, principal and interest paid and total customer net receipts were \$72,393 and \$74,342 respectively.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2009

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) 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 4.10% of their annual covered salary and the City is required to contribute 6.35% 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, 2009, 2008 and 2007 were \$34,962, \$32,199, and \$30,414, respectively, equal to the required contributions for each year.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2009

**(5) 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, 2009, primarily relating to business type activities is as follows: This liability has been computed based on rates of pay in effect at June 30, 2009.

Type of Benefit	Amount
Vacation	\$ 50,300
Sick leave	22,700
Comp time	<u>4,300</u>
Total	\$ 77,300 =====

**(6) Interfund Transfers**

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

Transfer to	Transfer from	Amount
Special Revenue: Fire/EMS	General	\$ 30,893
General	Special Revenue: TIF-Sommerset	1,205
	Capital Project: Swimming Pool Project	13
Enterprise: Water	Enterprise: Gas	208,896

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2009

Fire Truck Replacement	Special Revenue: Local option sales tax	<u>10,000</u>
Total		\$ <u>251,007</u>

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

**(7) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise:		
Gas Depreciation	Water	\$ 308,896
Gas	Water	<u>100,000</u>
		\$ <u>408,896</u>

These balances result from interfund loans to finance projects. Repayments will be made from future revenues.

**(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 517 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.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2009

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 200 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, 2009 were \$67,429.

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 \$10,000,000 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, 2009 settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2009

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 casualty 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 casualty 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.

**(9) Related Party Transactions**

The City had business transactions totaling \$5,837 between the City and City officials, during the year ended June 30, 2008.

**(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 \$265,000 is outstanding at June 30, 2009. 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, 2009, the City had the following commitments with respect to major projects:

<u>Project</u>	<u>Commitment</u>
Cameron Flats Project	\$ 860,000

## **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, 2009

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 481,185	-
Tax increment financing	25,988	-
Other city tax	188,762	-
Licenses and permits	3,673	-
Use of money and property	83,047	125,706
Intergovernmental	222,492	-
Charges for service	151,017	2,648,823
Miscellaneous	8,724	66,583
Total receipts	<u>1,164,888</u>	<u>2,841,112</u>
Disbursements:		
Public safety	232,638	-
Public works	333,580	-
Health and social services	3,700	-
Culture and recreation	181,636	-
Community and economic development	33,792	-
General government	119,969	-
Debt service	133,345	-
Capital projects	-	-
Business type activities	-	2,555,363
Total disbursements	<u>1,038,660</u>	<u>2,555,363</u>
Excess of receipts over disbursements	126,228	285,749
Other financing sources, net	<u>37,750</u>	<u>-</u>
Excess of receipts and other financing sources over disbursements	163,978	285,749
Balances beginning of year	<u>1,214,545</u>	<u>3,948,134</u>
Balances end of year	<u>\$ 1,378,523</u>	<u>4,233,883</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>	
481,185	514,031	514,031	(32,846)
25,988	25,000	25,000	988
188,762	127,288	127,701	61,061
3,673	2,325	3,005	668
208,753	157,350	192,815	15,938
222,492	183,420	255,040	(32,548)
2,799,840	2,439,575	2,537,670	262,170
75,307	1,354	6,960	68,347
<u>4,006,000</u>	<u>3,450,343</u>	<u>3,662,222</u>	<u>343,778</u>
232,638	232,135	250,510	17,872
333,580	209,660	347,150	13,570
3,700	5,000	3,700	-
181,636	196,525	208,225	26,589
33,792	59,925	65,415	31,623
119,969	99,220	125,000	5,031
133,345	133,550	133,550	205
-	58,000	-	-
<u>2,555,363</u>	<u>2,523,125</u>	<u>3,672,380</u>	<u>1,117,017</u>
<u>3,594,023</u>	<u>3,517,140</u>	<u>4,805,930</u>	<u>1,211,907</u>
411,977	(66,797)	(1,143,708)	1,555,685
<u>37,750</u>	<u>-</u>	<u>37,750</u>	<u>-</u>
449,727	(66,797)	(1,105,958)	1,555,685
<u>5,162,679</u>	<u>4,495,612</u>	<u>4,495,612</u>	<u>667,067</u>
<u><u>5,612,406</u></u>	<u><u>4,428,815</u></u>	<u><u>3,389,654</u></u>	<u><u>2,222,752</u></u>

City of Guthrie Center, 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 except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. 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 Enterprise 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 increased budgeted revenues by \$211,879, increased budgeted disbursements by \$1,288,790, and decreased other financing services by \$37,750. The budget amendment is reflected in the final budgeted amounts.

## **Other Supplementary Information**

City of Guthrie Center, Iowa

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

As of and for the year ended June 30, 2009

	Road Use Tax	Employee Benefits	Emergency	Local Option Sales Tax	Special Fire/ EMS
Receipts:					
Property tax	\$ -	89,492	7,199	-	-
Tax increment financing	-	-	-	-	-
Other city tax	-	10,413	841	122,095	-
Use of money and property	-	954	3,445	-	2,745
Intergovernmental	138,394	-	-	-	-
Miscellaneous	-	-	-	-	-
Total receipts	<u>138,394</u>	<u>100,859</u>	<u>11,485</u>	<u>122,095</u>	<u>2,745</u>
Disbursements:					
Operating:					
Public safety	-	40,442	292	-	10,513
Public works	118,073	22,696	-	187,524	-
Culture and recreation	-	9,023	-	-	-
Community and economic development	-	-	-	-	-
General government	-	5,641	-	-	-
Debt service	-	-	-	-	-
Total disbursements	<u>118,073</u>	<u>77,802</u>	<u>292</u>	<u>187,524</u>	<u>10,513</u>
Excess (deficiency) of receipts over (under) disbursements	20,321	23,057	11,193	(65,429)	(7,768)
Other financing sources (uses):					
Transfers in	-	-	-	-	30,893
Transfers out	-	-	-	(10,000)	-
Total other financing sources (uses)	-	-	-	(10,000)	30,893
Net change in cash balances	20,321	23,057	11,193	(75,429)	23,125
Cash balances beginning of year	<u>159,538</u>	<u>62,835</u>	<u>100,541</u>	<u>257,148</u>	<u>91,000</u>
Cash balances end of year	<u>\$ 179,859</u>	<u>85,892</u>	<u>111,734</u>	<u>181,719</u>	<u>114,125</u>
<b>Cash Basis Fund Balances</b>					
Reserved:					
Debt Service	-	-	-	-	-
Unreserved:					
Special revenue funds	\$ 179,859	85,892	111,734	181,719	114,125
Permanent fund	-	-	-	-	-
Total cash basis fund balances	<u>\$ 179,859</u>	<u>85,892</u>	<u>111,734</u>	<u>181,719</u>	<u>114,125</u>

See accompanying independent auditor's report.

Schedule 1

Revenue							Capital		
Library		TIF	TIF	Fire		Projects	Cemetery		
Expendable	TIF	CTR	FSA	Truck	Debt	Swimming	Perpetual	Total	
Trust	Somerset	Assembly	Building	Replacement	Service	Pool	Care		
-	-	-	-	-	117,772	-	-	214,463	
-	-	11,616	14,372	-	-	-	-	25,988	
-	-	-	-	-	16,966	-	-	150,315	
-	-	-	-	501	927	-	-	8,572	
3,418	-	-	-	-	-	-	-	141,812	
-	-	-	-	-	-	-	360	360	
<u>3,418</u>	<u>-</u>	<u>11,616</u>	<u>14,372</u>	<u>501</u>	<u>135,665</u>	<u>-</u>	<u>360</u>	<u>541,510</u>	
-	-	-	-	-	-	-	-	51,247	
-	-	-	-	-	-	-	-	328,293	
2,686	-	-	-	-	-	-	-	11,709	
-	-	11,041	14,372	-	-	-	-	25,413	
-	-	-	-	-	-	-	-	5,641	
-	-	-	-	-	133,345	-	-	133,345	
<u>2,686</u>	<u>-</u>	<u>11,041</u>	<u>14,372</u>	<u>-</u>	<u>133,345</u>	<u>-</u>	<u>-</u>	<u>555,648</u>	
732	-	575	-	501	2,320	-	360	(14,138)	
-	-	-	-	10,000	-	-	-	40,893	
-	(1,205)	-	-	-	-	(13)	-	(11,218)	
-	(1,205)	-	-	10,000	-	(13)	-	29,675	
732	(1,205)	575	-	10,501	2,320	(13)	360	15,537	
-	-	-	-	-	-	-	-	-	
<u>1,618</u>	<u>1,205</u>	<u>2,867</u>	<u>195</u>	<u>20,000</u>	<u>33,330</u>	<u>13</u>	<u>50,520</u>	<u>780,810</u>	
<u>2,350</u>	<u>-</u>	<u>3,442</u>	<u>195</u>	<u>30,501</u>	<u>35,650</u>	<u>-</u>	<u>50,880</u>	<u>796,347</u>	
-	-	-	-	-	35,650	-	-	35,650	
2,350	-	3,442	195	30,501	-	-	-	709,817	
-	-	-	-	-	-	-	50,880	50,880	
<u>2,350</u>	<u>-</u>	<u>3,442</u>	<u>195</u>	<u>30,501</u>	<u>35,650</u>	<u>-</u>	<u>50,880</u>	<u>796,347</u>	

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

As of and for the year ended June 30, 2009

	Enterprise Funds		
	<u>Solid Waste</u>	<u>Sewer</u>	<u>Total</u>
Operating receipts:			
Charges for service	\$ 128,104	165,185	293,289
Total operating receipts	<u>128,104</u>	<u>165,185</u>	<u>293,289</u>
Operating disbursements:			
Business type activities	<u>107,190</u>	<u>191,300</u>	<u>298,490</u>
Total operating disbursements	<u>107,190</u>	<u>191,300</u>	<u>298,490</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>20,914</u>	<u>(26,115)</u>	<u>(5,201)</u>
Non-operating receipts:			
Interest on investments	5,295	8,330	13,625
Miscellaneous	75	34,258	34,333
Transfers out	-	-	-
Total non-operating receipts	<u>5,370</u>	<u>42,588</u>	<u>47,958</u>
Excess of receipts over disbursements	26,284	16,473	42,757
Cash balances beginning of year	<u>169,617</u>	<u>253,278</u>	<u>422,895</u>
Cash balances end of year	<u>\$ 195,901</u>	<u>269,751</u>	<u>465,652</u>
<b>Cash Basis Fund Balances</b>			
Reserved:			
Improvements	\$ -	104,542	104,542
Meter deposits	-	2,857	2,857
Unreserved	<u>195,901</u>	<u>162,352</u>	<u>358,253</u>
Total cash basis fund balances	<u>\$ 195,901</u>	<u>269,751</u>	<u>465,652</u>

See accompanying independent auditor's report.

City of Guthrie Center, Iowa

Schedule of Indebtedness

Year ended June 30, 2009

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation notes:			
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

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>
245,000	-	80,000	165,000	13,478	
<u>240,000</u>	<u>-</u>	<u>30,000</u>	<u>210,000</u>	<u>9,067</u>	<u>-</u>
<u>\$ 485,000</u>	<u>-</u>	<u>110,000</u>	<u>375,000</u>	<u>22,545</u>	<u>-</u>
<u>\$ 135,000</u>	<u>-</u>	<u>65,000</u>	<u>70,000</u>	<u>7,393</u>	<u>-</u>

Note Maturities

June 30, 2009

Year Ending <u>June 30,</u>	General Obligation Notes				
	Corporate Purpose		Swimming Pool Notes		
	Issued May 1, 2000		Issued Apr 1, 2005		
	Interest		Interest		
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Total</u>
2010	5.50	80,000	3.50	30,000	110,000
2011	5.55	85,000	3.65	35,000	120,000
2012		-	3.80	35,000	35,000
2013		-	3.90	35,000	35,000
2014		-	4.00	35,000	35,000
2015		-	4.10	40,000	40,000
Total		<u>\$ 165,000</u>		<u>\$ 210,000</u>	<u>\$ 375,000</u>

Year Ending <u>June 30,</u>	Revenue Notes	
	Water Revenue	
	Issued May 1, 2000	
	Interest	
	<u>Rates</u>	<u>Amount</u>
2010	5.50	70,000
Total		<u>\$ 70,000</u>

See accompanying independent auditor's report.

City of Guthrie Center, Iowa

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

For the Last Six Years

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Receipts:				
Property tax	\$ 481,185	497,426	434,181	534,965
Tax increment financing	25,988	38,264	47,443	47,344
Other city tax	188,762	207,459	234,196	201,501
Licenses and permits	3,673	4,374	2,758	4,336
Use of money and property	83,047	73,111	53,765	58,366
Intergovernmental	222,492	240,792	391,951	286,462
Charges for service	151,017	124,266	111,008	88,494
Miscellaneous	8,724	35,117	56,384	368,926
	<u>1,164,888</u>	<u>1,220,809</u>	<u>1,331,686</u>	<u>1,590,394</u>
Total				
Disbursements:				
Operating				
Public safety	232,638	259,661	203,740	201,319
Public works	333,580	128,284	222,028	131,015
Culture and recreation	181,636	179,826	184,573	208,211
Community and economic development	33,792	87,971	311,864	65,297
General government	119,969	86,240	83,583	106,096
Debt service	133,345	154,715	155,300	267,050
Capital projects	-	32,000	3,487	952,625
	<u>-</u>	<u>32,000</u>	<u>3,487</u>	<u>952,625</u>
Total				
	<u>\$ 1,038,660</u>	<u>928,697</u>	<u>1,164,575</u>	<u>1,931,613</u>

See accompanying independent auditor's report.

Schedule 5

<u>2005</u>	<u>2004</u>
544,977	518,592
46,792	42,279
157,241	63,582
3,803	3,548
36,921	28,980
237,540	175,138
78,904	40,821
2,311	10,162
<u>1,108,489</u>	<u>883,102</u>

201,961	154,866
156,335	146,453
159,762	127,746
30,858	25,929
109,513	89,133
218,271	232,415
144,267	-
<u>1,020,967</u>	<u>776,542</u>

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

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, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 9, 2009. 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 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 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-09 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, 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.

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

November 9, 2009

City of Guthrie Center, Iowa

Schedule of Findings

Year ended June 30, 2009

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

I-A-09     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.

I-B-09     Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. The City of Guthrie Center does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those charged with governance.

City of Guthrie Center, Iowa

Schedule of Findings

Year ended June 30, 2009

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an organization of your size.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with the cash basis of accounting can be considered costly and ineffective. However, it is the responsibility of the District’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis.

Conclusion – Response accepted.

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-09 Certified Budget - Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted.

II-B-09 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.

II-C-09 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Guthrie Center, Iowa

Schedule of Findings

Year ended June 30, 2009

II-D-09 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	\$ 5,837

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.

II-E-09 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.

II-F-09 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-09 Deposits and Investments – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were exceeded during the year ended June 30, 2009.

Recommendation – City officials should increase their maximum deposit amounts as soon as possible.

Response – We will do this at our next council and utility board meetings.

Conclusion – Response accepted.

II-H-09 Revenue Notes - No violations of the revenue note resolutions were noted.

City of Guthrie Center, Iowa

Schedule of Findings

Year ended June 30, 2009

II-I-09 Notice of Public Hearing for Public Improvements – The city did not timely publish a notice of public hearing on the Cameron Flats project as required by Chapters 26.12 and 362.3 of the Code of Iowa.

Recommendation – Before entering into a contact for a public improvement with an estimated total cost in excess of \$100,000, the Council should hold a public hearing and give notice at least four but not more than twenty days prior to the hearing.

Response – This was an oversight this year. We published the notice, but due to construction delays this was published 30 days prior to the hearing. We will publish the notices timely in the future.

Conclusion – Response accepted.

II-J-09 Water Fund Balances – It was noted during the course of our audit that the Enterprise Fund, Water Account had to internally borrow funds to finance improvements.

Recommendation – City officials should review the water rate structure to insure the interfund loans can be repaid. City officials should also review to see if adequate funds are available for future improvements due to the aging of the infrastructure.

Response – We will review our rate structure.

Conclusion – Response accepted.