

**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, 2010**

City of Guthrie Center, Iowa

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**City of Guthrie Center, Iowa**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2010)</b>		
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
<b>(After January 2010)</b>		
Dennis Kunkle	Mayor	Jan 2011
Tim Benton	Council Member	Jan 2012
Duane Norgart	Council Member	Jan 2012
Craig Heckman	Council Member	Jan 2012
Dennis Patrick	Council Member	Jan 2013
Bob Patterson	Council Member	Jan 2013
Scott Gonzales	Utility Trustee	Jan 2015
Ron Baier	Utility Trustee	Jan 2012
Elden Wolfe	Utility Trustee	Jan 2014
Laura Imerman	City Clerk/Treasurer	Jan 2011
Donna Benton	Deputy Clerk	Jan 2011
David Bruner	Attorney	Jan 2011

## 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, 2010 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.

Because The Guthrie Center Firefighters Association's financial statement has not been audited, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statement of the aggregate discretely presented component unit of the City of Guthrie Center, as of and for the year ended June 30, 2010.

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, 2010 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 January 14, 2011 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 six years ended June 30, 2009 (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

January 14, 2011

**CITY OF GUTHRIE CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010**

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, 2010 based on currently known facts, decisions or conditions. This analysis focuses on fiscal year 09-10 activities as compared to 08-09 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, 2010**

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, 2010**

**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.

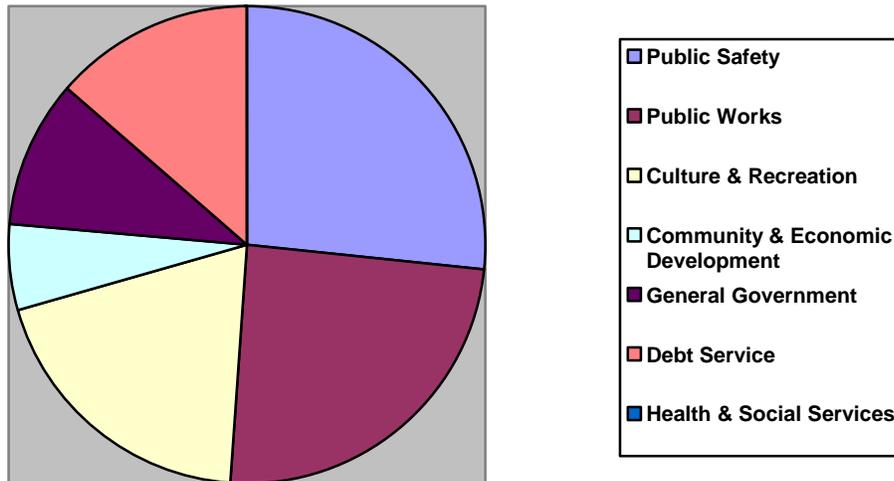
Second, of particular interest is the format that is significantly different than a typical Statement of Revenue, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. 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, 2010, the City's governmental activities were funded 70% from general taxes levied, as compared to 69% for the year ended June 30, 2009. The remaining 30% of the City's governmental activities were funded through local option sales tax, fees, interest and sales of assets. The hospital made its final payment on the property East of the hospital that the City sold 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, 2010. The City is anticipating new GO Debt during the FY 11-12.

**CITY OF GUTHRIE CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010**

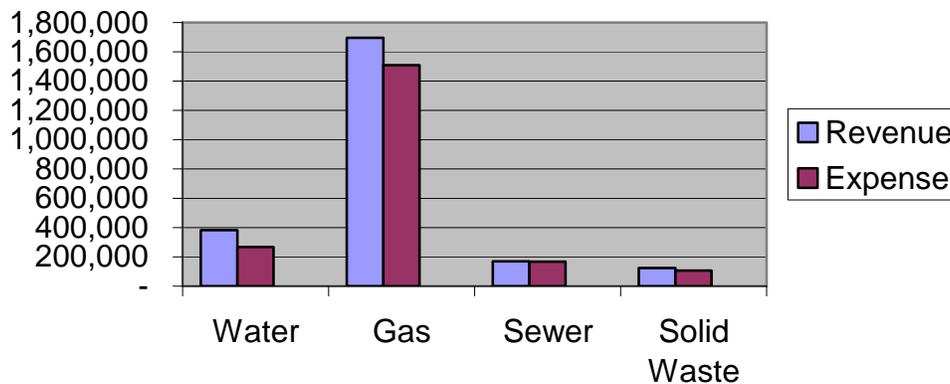
Uses of Funds in Governmental Activities



Spending is down 10% FY09-10 as compared to FY 08-09 due several street projects being postponed out of the original budget. Expenditures for the Neighborhood Stabilization Program Grant and CDBG Housing Rehabilitation Grant began and will continue into FY 10-11. 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, 2010, the City's business-type activities revenues and expenses were as follows:



**CITY OF GUTHRIE CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010**

The gas operating expenditures for FY09-10 were down due to lower prices paid for the purchase of natural gas. Expenditures for the Cameron Flats Subdivision continued throughout FY 09-10. Final payments and acceptance of the subdivision will occur in FY 10-11. Net water revenues remained relatively flat despite an increase in rates due to a decrease in water usage.

**Debt Outstanding**

As of year-end, the City had \$265,000 in debt outstanding as compared to \$445,000 in 2009.

**Outstanding Debt at Year End**

	<b>Totals</b>	
	<u><b>2010</b></u>	<u><b>2009</b></u>
Governmental		
General obligation	\$ 265,000	\$ 375,000
Tax increment	<u>0</u>	<u>0</u>
Subtotal	<u>265,000</u>	<u>375,000</u>
Business-type		
Water revenue	<u>0</u>	<u>70,000</u>
Subtotal	<u>0</u>	<u>70,000</u>
<b>Total</b>	<u><b>\$ 265,000</b></u>	<u><b>\$ 45,000</b></u>

Of the existing general obligation debt the 2000 issuance will be paid in full in June 2011, and the 2004 issuance will be paid in full in June 2015.

**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 10-11 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 flat. Property tax values are not on the rise. For the year ending June 30, 2011 the general fund has been budgeted fairly consistently with the 09-10 year. The FY 11-12 budget does include increased general

**CITY OF GUTHRIE CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010**

obligation debt due to a proposed new sanitary sewer plant and replacement of old 2" water mains. The City will be near full debt capacity at that time.

**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, 2010

	Program Receipts			
		Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	
	Disbursements	Charges for Service	Interest	Interest
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 252,356	53,304	20,525	-
Public works	228,045	-	154,727	-
Culture and recreation	184,278	67,250	22,042	-
Community and economic development	53,396	-	-	-
General government	95,507	3,763	-	-
Debt service	127,980	-	-	-
Total governmental activities	941,562	124,317	197,294	-
Business type activities:				
Water	378,744	383,242	-	-
Gas	2,243,315	1,695,592	-	-
Nonmajor business type activities	274,704	295,221	-	-
Total business type activities	2,896,763	2,374,055	-	-
<b>Total primary government</b>	<b>\$ 3,838,325</b>	<b>2,498,372</b>	<b>197,294</b>	<b>-</b>
<b>Component Unit:</b>				
Firefighters Association	\$ 127,663	-	-	-
<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:				
Nonexpendable:				
Cemetery perpetual care				
Expendable:				
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
(178,527)	-	(178,527)	-
(73,318)	-	(73,318)	-
(94,986)	-	(94,986)	-
(53,396)	-	(53,396)	-
(91,744)	-	(91,744)	-
(127,980)	-	(127,980)	-
<u>(619,951)</u>	<u>-</u>	<u>(619,951)</u>	<u>-</u>
-	4,498	4,498	-
-	(547,723)	(547,723)	-
-	20,517	20,517	-
-	<u>(522,708)</u>	<u>(522,708)</u>	<u>-</u>
<u>(619,951)</u>	<u>(522,708)</u>	<u>(1,142,659)</u>	<u>-</u>
-	-	-	<u>(127,663)</u>
402,108	-	402,108	-
26,831	-	26,831	-
127,188	-	127,188	-
128,974	-	128,974	-
26,560	73,233	99,793	-
40,650	25,068	65,718	85,908
41,930	25,000	66,930	-
<u>794,241</u>	<u>123,301</u>	<u>917,542</u>	<u>85,908</u>
174,290	(399,407)	(225,117)	(41,755)
<u>1,378,523</u>	<u>3,472,259</u>	<u>4,850,782</u>	<u>111,476</u>
<u>\$ 1,552,813</u>	<u>3,072,852</u>	<u>4,625,665</u>	<u>69,721</u>
51,060	-	51,060	-
\$ 224,008	-	224,008	-
35,732	-	35,732	-
606,034	-	606,034	-
<u>635,979</u>	<u>3,072,852</u>	<u>3,708,831</u>	<u>69,721</u>
<u>\$ 1,552,813</u>	<u>3,072,852</u>	<u>4,625,665</u>	<u>69,721</u>

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

As of and for the year ended June 30, 2010

	<u>General</u>	Other Nonmajor Governmental <u>Funds</u>	<u>Total</u>
<b>Receipts:</b>			
Property tax	\$ 262,331	204,109	466,440
Tax increment financing	-	26,831	26,831
Other city tax	40,583	157,699	198,282
Licenses and permits	3,763	-	3,763
Use of money and property	51,287	6,087	57,374
Intergovernmental	41,741	155,553	197,294
Charges for service	120,555	-	120,555
Miscellaneous	3,203	180	3,383
Total receipts	<u>523,463</u>	<u>550,459</u>	<u>1,073,922</u>
<b>Disbursements:</b>			
Operating:			
Public safety	212,748	39,608	252,356
Public works	3,888	224,157	228,045
Health and social services	-	-	-
Culture and recreation	174,456	9,822	184,278
Community and economic development	7,175	46,221	53,396
General government	87,277	8,230	95,507
Debt service	-	127,980	127,980
Total disbursements	<u>485,544</u>	<u>456,018</u>	<u>941,562</u>
Excess (deficiency) of receipts over (under) disbursements	<u>37,919</u>	<u>94,441</u>	<u>132,360</u>
<b>Other financing sources (uses):</b>			
Sale of capital assets	41,930	-	41,930
Transfers in	-	36,046	36,046
Transfers out	(26,046)	(10,000)	(36,046)
Total other financing sources (uses)	<u>15,884</u>	<u>26,046</u>	<u>41,930</u>
Net change in cash balances	53,803	120,487	174,290
Cash balances beginning of year	582,176	796,347	1,378,523
Cash balances end of year	<u>\$ 635,979</u>	<u>916,834</u>	<u>1,552,813</u>
<b>Cash Basis Fund Balances</b>			
Reserved:			
Debt service	\$ -	35,732	35,732
Unreserved:			
General fund	635,979	-	635,979
Special revenue funds	-	830,042	830,042
Permanent fund	-	51,060	51,060
Total cash basis fund balances	<u>\$ 635,979</u>	<u>916,834</u>	<u>1,552,813</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, 2010

	Enterprise Funds			
	<u>Water</u>	<u>Gas</u>	Other Nonmajor Proprietary <u>Funds</u>	<u>Total</u>
Operating receipts:				
Use of money and property	\$ 150	-	-	150
Charges for service	<u>383,242</u>	<u>1,695,592</u>	<u>295,221</u>	<u>2,374,055</u>
Total operating receipts	<u>383,392</u>	<u>1,695,592</u>	<u>295,221</u>	<u>2,374,205</u>
Operating disbursements:				
Business type activities	<u>266,309</u>	<u>1,509,376</u>	<u>274,704</u>	<u>2,050,389</u>
Total operating disbursements	<u>266,309</u>	<u>1,509,376</u>	<u>274,704</u>	<u>2,050,389</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>117,083</u>	<u>186,216</u>	<u>20,517</u>	<u>323,816</u>
Non-operating receipts (disbursements):				
Interest on investments	5,315	58,482	9,286	73,083
Sale of fixed assets	-	25,000	-	25,000
Miscellaneous	5,213	19,502	353	25,068
Debt service	(74,250)	-	-	(74,250)
Capital projects	<u>(38,185)</u>	<u>(733,939)</u>	-	<u>(772,124)</u>
Total non-operating receipts (disbursements)	<u>(101,907)</u>	<u>(630,955)</u>	<u>9,639</u>	<u>(723,223)</u>
Excess (deficiency) of receipts over (under) disbursements	15,176	(444,739)	30,156	(399,407)
Operating transfers in (out)	<u>(30,000)</u>	<u>30,000</u>	<u>-</u>	<u>-</u>
Net change in cash balances	(14,824)	(414,739)	30,156	(399,407)
Cash balances beginning of year	<u>193,934</u>	<u>2,812,673</u>	<u>465,652</u>	<u>3,472,259</u>
Cash balances end of year	<u>\$ 179,110</u>	<u>2,397,934</u>	<u>495,808</u>	<u>3,072,852</u>
<b>Cash Basis Fund Balances</b>				
Reserved for:				
Improvements	\$ 66,182	1,834,671	115,912	2,016,765
Meter deposits	7,555	33,338	2,967	43,860
Unreserved	<u>105,373</u>	<u>529,925</u>	<u>376,929</u>	<u>1,012,227</u>
Total cash basis fund balances	<u>\$ 179,110</u>	<u>2,397,934</u>	<u>495,808</u>	<u>3,072,852</u>

See notes to financial statements.

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

As of and for the year ended June 30, 2010

	<u>Miscellaneous Trust Funds</u>
<b>Additions:</b>	
Contributions	\$ <u>74,431</u>
Total additions	<u>74,431</u>
 <b>Deductions:</b>	
Total deductions	<u>25,398</u>
Change in net assets	49,033
Net assets - beginning of the year	<u>19,052</u>
Net assets - end of the year	<u><u>\$ 68,085</u></u>

See notes to financial statements.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2010

**(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, 2010

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 the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable 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 not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2010

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate 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 Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, 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.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2010

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.

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, 2010, disbursements did not exceed the amounts budgeted.

E. Subsequent Events

Subsequent events have been evaluated through January 14, 2011 which is the date the financial statements were available to be issued.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2010

**(2) Cash**

The City's deposits in banks at June 30, 2010 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.

There were no investments at June 30, 2010. 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 are as follows:

Year Ending <u>June 30,</u>	General Obligation Notes	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 120,000	11,730
2012	35,000	5,735
2013	35,000	4,405
2014	35,000	3,040
2015	<u>40,000</u>	<u>1,640</u>
Total	\$ <u>265,000</u>	<u>26,550</u>

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2010

**(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 4.30% of their annual covered salary and the City is required to contribute 6.65% 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, 2010, 2009 and 2008 were \$37,974, \$34,962, and \$32,199, respectively, equal to the required contributions for each year.

**(5) Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 8 active and 0 retired members in the plan.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark in which the City provides 90% of the coverage and plan members contribute the other 10%. Retirees under age 65 pay for the medical/prescription drug benefits as active employees, but have to contribute 100% of the cost.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$505 for single coverage and \$990 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$87,250 and plan members eligible for benefits contributed \$9,694 to the plan.

Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2010

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory 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 compensatory time termination payments payable to employees at June 30, 2010, primarily relating to business type activities is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 56,000
Sick leave	23,700
Compensatory time	<u>2,200</u>
Total	\$ 81,900 =====

This liability has been computed based on rates of pay in effect at June 30, 2010.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Fire/EMS	General	\$ 26,046
Enterprise: Gas	Enterprise: Water	30,000
Fire Truck Replacement	Special Revenue: Local option sales tax	<u>10,000</u>
Total		\$ <u>66,046</u>

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, 2010

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

The detail of interfund receivables and payables at June 30, 2010 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise:		
Gas Depreciation	Water	\$ 108,896
Gas	Water	<u>70,000</u>
		<u>\$ 178,896</u>

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

**(9) 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 634 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 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.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2010

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, 2010 were \$66,067.

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 \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

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, 2010 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, 2010

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 casualty 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.

**(10) Related Party Transactions**

The City had business transactions totaling \$6,722 between the City and City officials, during the year ended June 30, 2010.

**(11) 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 \$220,000 is outstanding at June 30, 2010. 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.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2010

**(12) Commitments**

As of June 30, 2010, the City had the following commitments with respect to major projects:

<u>Project</u>	<u>Commitment</u>
Cameron Flats Project	\$ 67,000

The City has also committed to a purchased gas contract of approximately \$3.4 million that will be used through the year 2013.

**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, 2010

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 466,440	-
Tax increment financing	26,831	-
Other city tax	198,282	-
Licenses and permits	3,763	-
Use of money and property	57,374	73,233
Intergovernmental	197,294	-
Charges for service	120,555	2,374,055
Miscellaneous	3,383	25,068
Total receipts	<u>1,073,922</u>	<u>2,472,356</u>
Disbursements:		
Public safety	252,356	-
Public works	228,045	-
Health and social services	-	-
Culture and recreation	184,278	-
Community and economic development	53,396	-
General government	95,507	-
Debt service	127,980	-
Business type activities	-	2,124,639
Total disbursements	<u>941,562</u>	<u>2,124,639</u>
Excess (deficiency) of receipts over (under) disbursements	132,360	347,717
Other financing sources, net	<u>41,930</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements	174,290	347,717
Balances beginning of year	<u>1,378,523</u>	<u>3,472,259</u>
Balances end of year	<u>\$ 1,552,813</u>	<u>3,819,976</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>	
466,440	509,889	509,889	(43,449)
26,831	26,020	26,820	11
198,282	132,965	143,560	54,722
3,763	2,405	3,010	753
130,607	131,845	118,625	11,982
197,294	170,640	174,650	22,644
2,494,610	2,453,985	2,513,725	(19,115)
28,451	500	3,490	24,961
<u>3,546,278</u>	<u>3,428,249</u>	<u>3,493,769</u>	<u>52,509</u>
252,356	270,385	259,150	6,794
228,045	319,590	326,955	98,910
-	5,000	5,000	5,000
184,278	199,310	195,135	10,857
53,396	91,175	91,380	37,984
95,507	110,090	99,910	4,403
127,980	128,180	128,180	200
2,124,639	3,919,995	3,450,305	1,325,666
<u>3,066,201</u>	<u>5,043,725</u>	<u>4,556,015</u>	<u>1,489,814</u>
480,077	(1,615,476)	(1,062,246)	1,542,323
<u>41,930</u>	<u>37,250</u>	<u>41,930</u>	<u>-</u>
522,007	(1,578,226)	(1,020,316)	1,542,323
<u>4,850,782</u>	<u>4,495,612</u>	<u>4,495,612</u>	<u>355,170</u>
<u><u>5,372,789</u></u>	<u><u>2,917,386</u></u>	<u><u>3,475,296</u></u>	<u><u>1,897,493</u></u>

City of Guthrie Center, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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 \$65,520, decreased budgeted disbursements by \$487,710 and increased other financing services by \$4,680. 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, 2010

	Road Use Tax	Employee Benefits	Emergency	Local Option Sales Tax	Special Fire/ EMS
Receipts:					
Property tax	\$ -	86,765	7,109	-	-
Tax increment financing	-	-	-	-	-
Other city tax	-	10,881	891	128,974	-
Use of money and property	-	850	1,820	-	2,097
Intergovernmental	154,727	-	-	-	-
Miscellaneous	-	-	-	-	-
Total receipts	<u>154,727</u>	<u>98,496</u>	<u>9,820</u>	<u>128,974</u>	<u>2,097</u>
Disbursements:					
Operating:					
Public safety	-	39,608	-	-	-
Public works	110,578	27,359	-	86,220	-
Culture and recreation	-	9,822	-	-	-
Community and economic development	-	-	-	20,000	-
General government	-	6,305	-	1,925	-
Debt service	-	-	-	-	-
Total disbursements	<u>110,578</u>	<u>83,094</u>	<u>-</u>	<u>108,145</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	44,149	15,402	9,820	20,829	2,097
Other financing sources (uses):					
Transfers in	-	-	-	-	26,046
Transfers out	-	-	-	(10,000)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>26,046</u>
Net change in cash balances	44,149	15,402	9,820	10,829	28,143
Cash balances beginning of year	<u>179,859</u>	<u>85,892</u>	<u>111,734</u>	<u>181,719</u>	<u>114,125</u>
Cash balances end of year	<u>\$ 224,008</u>	<u>101,294</u>	<u>121,554</u>	<u>192,548</u>	<u>142,268</u>
<b>Cash Basis Fund Balances</b>					
Reserved:					
Debt Service	-	-	-	-	-
Unreserved:					
Special revenue funds	\$ 224,008	101,294	121,554	192,548	142,268
Permanent fund	-	-	-	-	-
Total cash basis fund balances	<u>\$ 224,008</u>	<u>101,294</u>	<u>121,554</u>	<u>192,548</u>	<u>142,268</u>

See accompanying independent auditor's report.

Schedule 1

Revenue						
Library	TIF	TIF	Fire		Cemetery	
Expendable	CTR	FSA	Truck	Debt	Perpetual	
Trust	Assembly	Building	Replacement	Service	Care	Total
-	-	-	-	110,235	-	204,109
-	12,007	14,824	-	-	-	26,831
-	-	-	-	16,953	-	157,699
-	-	-	446	874	-	6,087
826	-	-	-	-	-	155,553
-	-	-	-	-	180	180
<u>826</u>	<u>12,007</u>	<u>14,824</u>	<u>446</u>	<u>128,062</u>	<u>180</u>	<u>550,459</u>
-	-	-	-	-	-	39,608
-	-	-	-	-	-	224,157
-	-	-	-	-	-	9,822
-	11,398	14,823	-	-	-	46,221
-	-	-	-	-	-	8,230
-	-	-	-	127,980	-	127,980
-	<u>11,398</u>	<u>14,823</u>	<u>-</u>	<u>127,980</u>	<u>-</u>	<u>456,018</u>
826	609	1	446	82	180	94,441
-	-	-	10,000	-	-	36,046
-	-	-	-	-	-	(10,000)
-	-	-	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>26,046</u>
826	609	1	10,446	82	180	120,487
2,350	-	-	-	-	-	-
<u>2,350</u>	<u>3,442</u>	<u>195</u>	<u>30,501</u>	<u>35,650</u>	<u>50,880</u>	<u>796,347</u>
<u>3,176</u>	<u>4,051</u>	<u>196</u>	<u>40,947</u>	<u>35,732</u>	<u>51,060</u>	<u>916,834</u>
-	-	-	-	35,732	-	35,732
3,176	4,051	196	40,947	-	-	830,042
-	-	-	-	-	51,060	51,060
<u>3,176</u>	<u>4,051</u>	<u>196</u>	<u>40,947</u>	<u>35,732</u>	<u>51,060</u>	<u>916,834</u>

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

As of and for the year ended June 30, 2010

	Enterprise Funds		
	<u>Solid Waste</u>	<u>Sewer</u>	<u>Total</u>
Operating receipts:			
Charges for service	\$ 124,911	170,310	295,221
Total operating receipts	<u>124,911</u>	<u>170,310</u>	<u>295,221</u>
Operating disbursements:			
Business type activities	<u>106,645</u>	<u>168,059</u>	<u>274,704</u>
Total operating disbursements	<u>106,645</u>	<u>168,059</u>	<u>274,704</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>18,266</u>	<u>2,251</u>	<u>20,517</u>
Non-operating receipts:			
Interest on investments	3,728	5,558	9,286
Miscellaneous	75	278	353
Transfers out	-	-	-
Total non-operating receipts	<u>3,803</u>	<u>5,836</u>	<u>9,639</u>
Excess of receipts over disbursements	22,069	8,087	30,156
Cash balances beginning of year	<u>195,901</u>	<u>269,751</u>	<u>465,652</u>
Cash balances end of year	<u>\$ 217,970</u>	<u>277,838</u>	<u>495,808</u>
<b>Cash Basis Fund Balances</b>			
Reserved:			
Improvements	\$ -	115,912	115,912
Meter deposits	-	2,967	2,967
Unreserved	<u>217,970</u>	<u>158,959</u>	<u>376,929</u>
Total cash basis fund balances	<u>\$ 217,970</u>	<u>277,838</u>	<u>495,808</u>

See accompanying independent auditor's report.

City of Guthrie Center, Iowa

Schedule of Indebtedness

Year ended June 30, 2010

<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>
165,000	-	80,000	85,000	9,118	
<u>210,000</u>	<u>-</u>	<u>30,000</u>	<u>180,000</u>	<u>8,062</u>	<u>-</u>
<u>\$ 375,000</u>	<u>-</u>	<u>110,000</u>	<u>265,000</u>	<u>17,180</u>	<u>-</u>
<u>\$ 70,000</u>	<u>-</u>	<u>70,000</u>	<u>-</u>	<u>3,850</u>	<u>-</u>

Note Maturities

June 30, 2010

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>
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>\$ 85,000</u>		<u>\$ 180,000</u>	<u>265,000</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 Seven Years

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Receipts:				
Property tax	\$ 466,440	481,185	497,426	434,181
Tax increment financing	26,831	25,988	38,264	47,443
Other city tax	198,282	188,762	207,459	234,196
Licenses and permits	3,763	3,673	4,374	2,758
Use of money and property	57,374	83,047	73,111	53,765
Intergovernmental	197,294	222,492	240,792	391,951
Charges for service	120,555	151,017	124,266	111,008
Miscellaneous	3,383	8,724	35,117	56,384
	<u>\$ 1,073,922</u>	<u>1,164,888</u>	<u>1,220,809</u>	<u>1,331,686</u>
Total				
Disbursements:				
Operating				
Public safety	\$ 252,356	232,638	259,661	203,740
Public works	228,045	333,580	128,284	222,028
Health and social services	-	3,700	-	-
Culture and recreation	184,278	181,636	179,826	184,573
Community and economic development	53,396	33,792	87,971	311,864
General government	95,507	119,969	86,240	83,583
Debt service	127,980	133,345	154,715	155,300
Capital projects	-	-	32,000	3,487
	<u>\$ 941,562</u>	<u>1,038,660</u>	<u>928,697</u>	<u>1,164,575</u>
Total				

See accompanying independent auditor's report.

Schedule 5

<u>2006</u>	<u>2005</u>	<u>2004</u>
534,965	544,977	518,592
47,344	46,792	42,279
201,501	157,241	63,582
4,336	3,803	3,548
58,366	36,921	28,980
286,462	237,540	175,138
88,494	78,904	40,821
368,926	2,311	10,162
<u>1,590,394</u>	<u>1,108,489</u>	<u>883,102</u>
201,319	201,961	154,866
131,015	156,335	146,453
-	-	-
208,211	159,762	127,746
65,297	30,858	25,929
106,096	109,513	89,133
267,050	218,271	232,415
<u>952,625</u>	<u>144,267</u>	<u>-</u>
<u>1,931,613</u>	<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, 2010, which, along with the discretely presented component unit, collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated January 14, 2011. Our report expressed unqualified opinions on the primary government financial statements which were prepared in conformity with an other comprehensive basis of accounting. Our report also noted that the discretely presented component unit was not audited. We conducted our audit of the primary government 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Guthrie Center's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-10 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as item I-B-10 to be a significant deficiency.

### 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, 2010 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, and 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

January 14, 2011

City of Guthrie Center, Iowa

Schedule of Findings

Year ended June 30, 2010

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

- I-A-10     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-10     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. 115, *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, 2010

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 City’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-10 Certified Budget - Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted.

II-B-10 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-10 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, 2010

II-D-10 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	\$ 6,722

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-10 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-10 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-10 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.

II-H-10 Revenue Notes - No violations of the revenue note resolutions were noted.

City of Guthrie Center

Schedule of Findings

Year ended June 30, 2010

II-I-10 Fund Balances – It was noted in a prior year 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 that the interfund loans can be repaid. City officials should also review to see if adequate funds in the Enterprise Fund, Sewer Account as well as the Water Account are available for future improvements due to the aging of the infrastructure.

Response – We will review our structure.

Conclusion – Response accepted.