

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, 2011

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	15-26
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds	27-28
Notes to Required Supplementary Information – Budgetary Reporting	29
Other Supplementary Information:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1 30-31
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Proprietary Funds	2 32
Schedule of Indebtedness	3 33-34
Note Maturities	4 35
Schedule of Receipts By Source and Disbursements By Function – All Governmental Funds	5 36-37
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	38-40
Schedule of Findings	41-44

City of Guthrie Center, Iowa

Officials

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

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

714 14th Avenue North
Fort Dodge, IA 50501-7098
Phone 515.955.4805 • Fax 515.955.4673

Lowell W. Cornwell, C.P.A.
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.
jjmaher@frontiernet.net

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, 2011 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, 2011.

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, 2011 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 10, 2012 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 on 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 27 through 29 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 seven years ended June 30, 2010 (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.
Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

January 10, 2012

**CITY OF GUTHRIE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

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, 2011 based on currently known facts, decisions or conditions. This analysis focuses on fiscal year 10-11 activities as compared to 09-10 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, 2011**

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, and general liability insurance.

**CITY OF GUTHRIE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

Debt Service - This category includes general debt service.

Capital Projects - This category includes major projects within the City including construction of major capital facilities.

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.

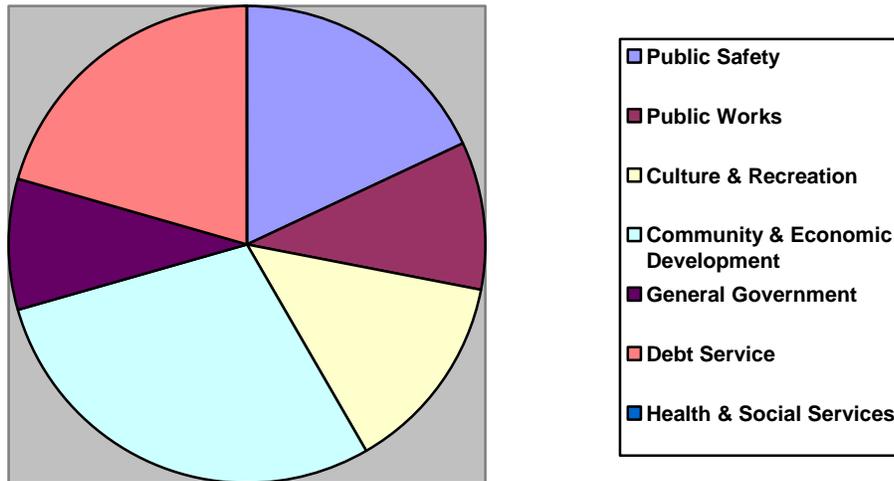
Second, of particular interest is the format that is significantly different than a typical Statement of Revenue, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. 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, 2011, the City's governmental activities were funded 73% from general taxes levied, as compared to 70% for the year ended June 30, 2010. The remaining 27% of the City's governmental activities were funded through local option sales tax, fees, interest and sales of assets. Property tax revenues were flat and this trend is expected to continue. New General Obligation Debt was issued during the year ending June 30, 2011. The City is anticipating additional GO Debt during the FY 12-13.

**CITY OF GUTHRIE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

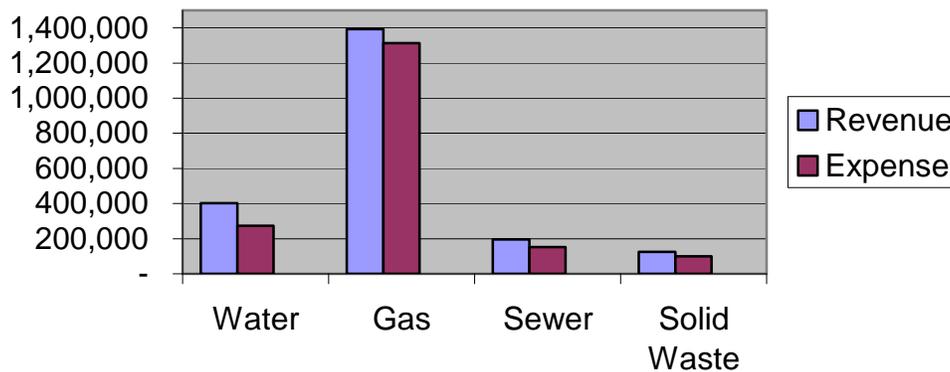
Uses of Funds in Governmental Activities



Spending is up over 42% FY 10-11 as compared to FY 09-10 due a Neighborhood Stabilization Program (NSP) Grant received by the City. Spending of these grant funds began in FY 09-10 and will continue through FY 12-13. With these funds the City has razed blighted abandoned commercial and residential properties. The City built a new home on one cleared lot and sold the home during FY 10-11. Another home that was purchased and remodeled utilizing the NSP funds was sold in FY 11-12. All other expenditures are comparable to last fiscal year and are shown in the pie chart above except for public works which was less in FY 10-11 due to purchasing a loader in FY 09-10.

Business-type Activities

For the year ended June 30, 2011, the City's business-type activities revenues and expenses were as follows:



**CITY OF GUTHRIE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

The gas operating expenditures for FY10-11 were down due to lower prices paid for the purchase of natural gas. Net water revenues remained relatively flat. Sewer revenues were up due to a rate increase to help with system improvement costs.

Debt Outstanding

As of year-end, the City had \$670,000 in debt as compared to \$265,000 in 2009. This debt was incurred to pay off early the 2005 pool notes (\$145,000) and to pay for water main improvements replacing 2" water lines with newer larger lines. The water main project came in under anticipated cost allowing \$135,000 to be transferred to wastewater depreciation to be used toward cast in place pipe that will be installed in the summer of 2012.

Outstanding Debt at Year End

	Totals	
	<u>2011</u>	<u>2010</u>
Governmental		
General obligation	\$ 670,000	\$ 265,000
Tax increment	<u>0</u>	<u>0</u>
Subtotal	<u>670,000</u>	<u>265,000</u>
Business-type		
Water revenue	<u>0</u>	<u>0</u>
Subtotal	<u>0</u>	<u>0</u>
Total	<u>\$ 670,000</u>	<u>\$ 265,000</u>

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. One TIF rebate agreement will be fulfilled in June 2012 and the other in December 2012. The City also has one Developer rebate agreement for a period of five years that ends in June 2012.

Economic Factors and Next year's budget and rates

The City's elected and appointed officials and citizens considered many factors when setting the 11-12 fiscal year budget and tax rates. The economy in Guthrie Center 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, 2012 the general fund has been budgeted fairly consistently with the 10-11 year. The FY 12-13 budget does include increased general

**CITY OF GUTHRIE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

obligation debt due to a proposed replacement of the downtown street lights and sidewalks, proposed purchase of a new fire truck and proposed expansion of the fire hall.

Financial Contact

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

Laura M. Imerman
City Clerk/Administrator

Basic Financial Statements

City of Guthrie Center, Iowa
Statement of Activities and Net Assets - Cash Basis
As of and for the year ended June 30, 2011

		Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 242,289	60,218	19,374	-
Public works	135,751	-	206,798	-
Culture and recreation	181,558	54,495	22,476	-
Community and economic development	389,569	-	327,217	-
General government	118,119	3,340	-	-
Debt service	278,060	-	106,024	-
Total governmental activities	1,345,346	118,053	681,889	-
Business type activities:				
Water	301,256	401,453	-	-
Gas	1,510,223	1,388,511	-	-
Nonmajor business type activities	296,590	319,781	-	-
Total business type activities	2,108,069	2,109,745	-	-
Total primary government	\$ 3,453,415	2,227,798	681,889	-
Component Unit:				
Firefighters Association	\$ 33,938	-	67,833	-
General Receipts:				
Property and other city tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Miscellaneous				
Bond proceeds				
Transfers in (out)				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Nonexpendable:				
Cemetary perpetual care				
Expendable:				
Streets				
Fire department				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Exhibit A

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

Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Guthrie Center Firefighters Association
(162,697)	-	(162,697)	-
71,047	-	71,047	-
(104,587)	-	(104,587)	-
(62,352)	-	(62,352)	-
(114,779)	-	(114,779)	-
<u>(172,036)</u>	-	<u>(172,036)</u>	-
<u>(545,404)</u>	-	<u>(545,404)</u>	-
-	100,197	100,197	-
-	(121,712)	(121,712)	-
-	23,191	23,191	-
-	1,676	1,676	-
<u>(545,404)</u>	<u>1,676</u>	<u>(543,728)</u>	-
-	-	-	<u>33,895</u>
414,624	-	414,624	-
28,329	-	28,329	-
131,533	-	131,533	-
109,821	-	109,821	-
18,419	54,417	72,836	-
36,960	6,262	43,222	-
39,406	616,194	655,600	-
(46)	46	-	-
<u>779,046</u>	<u>676,919</u>	<u>1,455,965</u>	-
233,642	678,595	912,237	33,895
<u>1,552,813</u>	<u>3,072,852</u>	<u>4,625,665</u>	<u>69,721</u>
<u>\$ 1,786,455</u>	<u>3,751,447</u>	<u>5,537,902</u>	<u>103,616</u>
\$ 51,270	-	51,270	-
282,286	-	282,286	-
177,030	-	177,030	-
34,956	-	34,956	-
359,871	-	359,871	-
881,042	3,751,447	4,632,489	103,616
<u>\$ 1,786,455</u>	<u>3,751,447</u>	<u>5,537,902</u>	<u>103,616</u>

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

As of and for the year ended June 30, 2011

	<u>General</u>	<u>Special Revenue Neighborhood Stabilization Program</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
Receipts:				
Property tax	\$ 289,783	-	195,742	485,525
Tax increment financing	-	-	28,329	28,329
Other city tax	37,217	-	133,236	170,453
Licenses and permits	3,340	-	-	3,340
Use of money and property	45,037	-	2,554	47,591
Intergovernmental	166,126	250,449	159,290	575,865
Charges for service	114,713	-	-	114,713
Miscellaneous	3,336	-	106,551	109,887
Total receipts	<u>659,552</u>	<u>250,449</u>	<u>625,702</u>	<u>1,535,703</u>
Disbursements:				
Operating:				
Public safety	179,341	-	62,948	242,289
Public works	4,271	-	131,480	135,751
Culture and recreation	166,888	-	14,670	181,558
Community and economic development	82,737	261,832	45,000	389,569
General government	95,302	-	22,817	118,119
Debt service	-	-	278,060	278,060
Total disbursements	<u>528,539</u>	<u>261,832</u>	<u>554,975</u>	<u>1,345,346</u>
Excess (deficiency) of receipts over (under) disbursements	<u>131,013</u>	<u>(11,383)</u>	<u>70,727</u>	<u>190,357</u>
Other financing sources (uses):				
Sale of capital assets	3,925	-	-	3,925
Bond proceeds	-	-	39,406	39,406
Transfers in	-	5,501	10,000	15,501
Transfers out	(5,547)	-	(10,000)	(15,547)
Total other financing sources (uses)	<u>(1,622)</u>	<u>5,501</u>	<u>39,406</u>	<u>43,285</u>
Net change in cash balances	129,391	(5,882)	110,133	233,642
Cash balances beginning of year (as restated)	757,533	-	795,280	1,552,813
Cash balances end of year	<u>\$ 886,924</u>	<u>(5,882)</u>	<u>905,413</u>	<u>1,786,455</u>
Cash Basis Fund Balances				
Nonspendable - Cemetary perpetual care	\$ -	-	51,270	51,270
Restricted for:				
Streets	-	-	282,286	282,286
Fire department	-	-	177,030	177,030
Debt service	-	-	34,956	34,956
Other purposes	-	-	359,871	359,871
Unassigned	886,924	(5,882)	-	881,042
Total cash basis fund balances	<u>\$ 886,924</u>	<u>(5,882)</u>	<u>905,413</u>	<u>1,786,455</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, 2011

	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	3,900	-	4,050
Charges for service	<u>401,453</u>	<u>1,388,511</u>	<u>319,781</u>	<u>2,109,745</u>
Total operating receipts	<u>401,603</u>	<u>1,392,411</u>	<u>319,781</u>	<u>2,113,795</u>
Operating disbursements:				
Business type activities	<u>273,645</u>	<u>1,312,706</u>	<u>251,487</u>	<u>1,837,838</u>
Total operating disbursements	<u>273,645</u>	<u>1,312,706</u>	<u>251,487</u>	<u>1,837,838</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>127,958</u>	<u>79,705</u>	<u>68,294</u>	<u>275,957</u>
Non-operating receipts (disbursements):				
Interest on investments	1,418	42,194	6,755	50,367
Bond proceeds	616,194	-	-	616,194
Miscellaneous	1,178	5,009	75	6,262
Debt service	(5,642)	-	-	(5,642)
Capital projects	<u>(21,969)</u>	<u>(197,517)</u>	<u>(45,103)</u>	<u>(264,589)</u>
Total non-operating receipts (disbursements)	<u>591,179</u>	<u>(150,314)</u>	<u>(38,273)</u>	<u>402,592</u>
Excess (deficiency) of receipts over (under) disbursements	719,137	(70,609)	30,021	678,549
Operating transfers in (out)	<u>(30,000)</u>	<u>30,000</u>	<u>46</u>	<u>46</u>
Net change in cash balances	689,137	(40,609)	30,067	678,595
Cash balances beginning of year	<u>179,110</u>	<u>2,397,934</u>	<u>495,808</u>	<u>3,072,852</u>
Cash balances end of year	<u>\$ 868,247</u>	<u>2,357,325</u>	<u>525,875</u>	<u>3,751,447</u>
Cash Basis Fund Balances				
Restricted:				
Improvements	\$ 679,329	1,891,961	82,399	2,653,689
Meter deposits	7,826	32,229	3,234	43,289
Unrestricted	<u>181,092</u>	<u>433,135</u>	<u>440,242</u>	<u>1,054,469</u>
Total cash basis fund balances	<u>\$ 868,247</u>	<u>2,357,325</u>	<u>525,875</u>	<u>3,751,447</u>

See notes to financial statements.

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

As of and for the year ended June 30, 2011

	<u>Miscellaneous Trust Funds</u>
Additions:	
Contributions	\$ <u>121,106</u>
Total additions	<u>121,106</u>
 Deductions:	
Total deductions	<u>181,815</u>
Change in net assets	(60,709)
Net assets - beginning of the year	<u>68,085</u>
Net assets - end of the year	<u><u>\$ 7,376</u></u>

See notes to financial statements.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2011

(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, 2011

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, 2011

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 from general and emergency and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Neighborhood Stabilization Fund is used to account for the grant proceeds and expenditures of a federal grant which reimburses urban renewal projects.

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.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2011

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.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2011

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the debt service function.

F. Subsequent Events

Subsequent events have been evaluated through January 10, 2012, which is the date the financial statements were available to be issued.

(2) Cash

The City's deposits in banks at June 30, 2011 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, 2011. During the year, the City invested its excess excess funds in certificates of deposit and money market savings accounts.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2011

(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>
2012	\$ 135,000	8,066
2013	105,000	7,910
2014	105,000	7,018
2015	105,000	5,810
2016	110,000	4,235
2017	<u>110,000</u>	<u>2,310</u>
Total	\$ <u>670,000</u>	<u>35,349</u>

(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 4.50% of their annual covered salary and the City is required to contribute 6.95% 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, 2011, 2010 and 2009 were \$39,469, \$37,974, and \$34,962, respectively, equal to the required contributions for each year.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2011

(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 1 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 \$511 for single coverage and \$1000 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$87,981 and plan members eligible for benefits contributed \$14,865 to the plan.

(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, 2011, primarily relating to business type activities is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 48,700
Sick leave	19,400
Compensatory time	<u>2,900</u>
Total	\$ <u>71,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2011.

Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2011

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Neighbor Stabilization	General	\$ 5,501
Enterprise: Gas	Enterprise: Water	30,000
Enterprise: Sewer	General	46
Special Revenue: Fire Truck Replacement	Special Revenue: Local option sales tax	<u>10,000</u>
Total		\$ <u>45,547</u>

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

(8) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2011 is as follows:

Receivable Fund	Payable Fund	Amount
Enterprise: Gas Depreciation	Water	\$ 108,896
Gas	Water	<u>40,000</u>
		\$ <u>148,896</u>

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

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2011

(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 645 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 150 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, 2011 were \$69,116.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2011

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. For members requiring specific coverage from \$3,000,000 to \$12,000,000, 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 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, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all 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.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2011

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 \$6,646 between the City and City officials, during the year ended June 30, 2011.

(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, 2011. 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.

(12) Commitments

As of June 30, 2011, the City had the following commitments with respect to major projects:

<u>Project</u>	<u>Commitment</u>
Water main	\$ 476,500
Street overlay	160,000
Sanitary sewer	138,000

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

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2011

(13) Deficit Balance

The Special Revenue Fund, Neighborhood Stabilization Program fund had a deficit balance of \$5,882 at June 30, 2011. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of grant funds.

(14) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>General</u>	<u>Special Revenue Emergency Levy</u>
Balances June 30, 2010, as previously reported	\$ 635,979	121,554
Change in fund type classification per implementation GASB Statement No. 54	<u>121,554</u>	<u>121,554</u>
Balances July 1, 2010, as restated	\$ <u>757,533</u>	<u>---</u>

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, 2011

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 485,525	-
Tax increment financing	28,329	-
Other city tax	170,453	-
Licenses and permits	3,340	-
Use of money and property	47,591	54,417
Intergovernmental	575,865	-
Charges for service	114,713	2,109,745
Miscellaneous	109,887	6,262
Total receipts	<u>1,535,703</u>	<u>2,170,424</u>
Disbursements:		
Public safety	242,289	-
Public works	135,751	-
Health and social services	-	-
Culture and recreation	181,558	-
Community and economic development	389,569	-
General government	118,119	-
Debt service	278,060	-
Capital projects	-	-
Business type activities	-	2,108,069
Total disbursements	<u>1,345,346</u>	<u>2,108,069</u>
Excess (deficiency) of receipts over (under) disbursements	190,357	62,355
Other financing sources, net	<u>43,285</u>	<u>616,240</u>
Excess (deficiency) of receipts and other financing sources over disbursements	233,642	678,595
Balances beginning of year	<u>1,552,813</u>	<u>3,072,852</u>
Balances end of year	<u>\$ 1,786,455</u>	<u>3,751,447</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>	
485,525	524,058	529,014	(43,489)
28,329	26,020	28,330	(1)
170,453	150,441	130,500	39,953
3,340	2,375	2,705	635
102,008	102,625	93,395	8,613
575,865	497,790	628,900	(53,035)
2,224,458	2,709,760	2,215,212	9,246
116,149	1,000	4,290	111,859
<u>3,706,127</u>	<u>4,014,069</u>	<u>3,632,346</u>	<u>73,781</u>
242,289	256,970	273,063	30,774
135,751	182,144	174,924	39,173
-	5,000	-	-
181,558	199,010	198,710	17,152
389,569	361,175	414,005	24,436
118,119	103,550	124,090	5,971
278,060	132,735	132,735	(145,325)
-	-	80,000	80,000
2,108,069	2,507,135	2,292,380	184,311
<u>3,453,415</u>	<u>3,747,719</u>	<u>3,689,907</u>	<u>236,492</u>
252,712	266,350	(57,561)	310,273
<u>659,525</u>	<u>-</u>	<u>13,925</u>	<u>645,600</u>
912,237	266,350	(43,636)	955,873
<u>4,625,665</u>	<u>4,109,831</u>	<u>4,109,831</u>	<u>515,834</u>
<u><u>5,537,902</u></u>	<u><u>4,376,181</u></u>	<u><u>4,066,195</u></u>	<u><u>1,471,707</u></u>

City of Guthrie Center, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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, one budget amendment decreased budgeted revenues by \$381,723, decreased budgeted disbursements by \$57,812 and increased other financing services by \$13,925. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the debt service function.

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, 2011

	Road Use Tax	Employee Benefits	Local Option Sales Tax	Special Fire/ EMS
Receipts:				
Property tax	\$ -	79,368	-	-
Tax increment financing	-	-	-	-
Other city tax	-	8,255	109,821	-
Use of money and property	-	619	-	1,266
Intergovernmental	158,030	-	-	-
Miscellaneous	-	-	-	-
Total receipts	<u>158,030</u>	<u>88,242</u>	<u>109,821</u>	<u>1,266</u>
Disbursements:				
Operating:				
Public safety	-	36,648	8,500	17,800
Public works	99,752	27,838	3,890	-
Culture and recreation	-	9,917	-	-
Community and economic development	-	-	17,356	-
General government	-	8,717	14,100	-
Debt service	-	-	-	-
Total disbursements	<u>99,752</u>	<u>83,120</u>	<u>43,846</u>	<u>17,800</u>
Excess (deficiency) of receipts over (under) disbursements	58,278	5,122	65,975	(16,534)
Other financing sources (uses):				
Bond proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(10,000)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>
Net change in cash balances	58,278	5,122	55,975	(16,534)
Cash balances beginning of year, as restated	<u>224,008</u>	<u>101,294</u>	<u>192,548</u>	<u>142,268</u>
Cash balances end of year	<u>\$ 282,286</u>	<u>106,416</u>	<u>248,523</u>	<u>125,734</u>
Cash Basis Fund Balances				
Nonspendable - Cemetary perpetual care	\$ -	-	-	-
Restricted for:				
Streets	282,286	-	-	-
Fire department	-	-	-	125,734
Debt service	-	-	-	-
Other purposes	-	106,416	248,523	-
Unassigned	-	-	-	-
Total cash basis fund balances	<u>\$ 282,286</u>	<u>106,416</u>	<u>248,523</u>	<u>125,734</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
-	-	-	-	116,374	-	195,742
-	12,797	15,532	-	-	-	28,329
-	-	-	-	15,160	-	133,236
-	-	-	349	320	-	2,554
1,260	-	-	-	-	-	159,290
317	-	-	-	106,024	210	106,551
<u>1,577</u>	<u>12,797</u>	<u>15,532</u>	<u>349</u>	<u>237,878</u>	<u>210</u>	<u>625,702</u>
-	-	-	-	-	-	62,948
-	-	-	-	-	-	131,480
4,753	-	-	-	-	-	14,670
-	12,112	15,532	-	-	-	45,000
-	-	-	-	-	-	22,817
-	-	-	-	278,060	-	278,060
<u>4,753</u>	<u>12,112</u>	<u>15,532</u>	<u>-</u>	<u>278,060</u>	<u>-</u>	<u>554,975</u>
(3,176)	685	-	349	(40,182)	210	70,727
-	-	-	-	39,406	-	39,406
-	-	-	10,000	-	-	10,000
-	-	-	-	-	-	(10,000)
-	-	-	10,000	39,406	-	39,406
(3,176)	685	-	10,349	(776)	210	110,133
3,176	4,051	196	40,947	35,732	51,060	795,280
<u>-</u>	<u>4,736</u>	<u>196</u>	<u>51,296</u>	<u>34,956</u>	<u>51,270</u>	<u>905,413</u>
-	-	-	-	-	51,270	51,270
-	-	-	-	-	-	282,286
-	-	-	51,296	-	-	177,030
-	-	-	-	34,956	-	34,956
-	4,736	196	-	-	-	359,871
-	-	-	-	-	-	-
<u>-</u>	<u>4,736</u>	<u>196</u>	<u>51,296</u>	<u>34,956</u>	<u>51,270</u>	<u>905,413</u>

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

As of and for the year ended June 30, 2011

	Enterprise Funds		
	Solid Waste	Sewer	Total
Operating receipts:			
Charges for service	\$ 124,806	194,975	319,781
Total operating receipts	<u>124,806</u>	<u>194,975</u>	<u>319,781</u>
Operating disbursements:			
Business type activities	99,180	152,307	251,487
Total operating disbursements	<u>99,180</u>	<u>152,307</u>	<u>251,487</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>25,626</u>	<u>42,668</u>	<u>68,294</u>
Non-operating receipts (disbursements):			
Interest on investments	2,080	4,675	6,755
Miscellaneous	75	-	75
Capital projects	-	(45,103)	(45,103)
Net non-operating receipts (disbursements)	<u>2,155</u>	<u>(40,428)</u>	<u>(38,273)</u>
Excess of receipts over disbursements	27,781	2,240	30,021
Operating transfers in	-	46	46
Cash balances beginning of year	<u>217,970</u>	<u>277,838</u>	<u>495,808</u>
Cash balances end of year	<u>\$ 245,751</u>	<u>280,124</u>	<u>525,875</u>
Cash Basis Fund Balances			
Restricted:			
Improvements	\$ -	82,399	82,399
Meter deposits	-	3,234	3,234
Unrestricted	<u>245,751</u>	<u>194,491</u>	<u>440,242</u>
Total cash basis fund balances	<u>\$ 245,751</u>	<u>280,124</u>	<u>525,875</u>

See accompanying independent auditor's report.

City of Guthrie Center, Iowa

Schedule of Indebtedness

Year ended June 30, 2011

<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
Water Improvement	Jun 28, 2011	0.60 - 2.10%	\$ 670,000
Total			

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>
85,000	-	85,000	-	4,717	-
180,000		180,000	-	7,443	-
-	<u>670,000</u>	-	<u>670,000</u>	-	-
<u>\$ 265,000</u>	<u>670,000</u>	<u>265,000</u>	<u>670,000</u>	<u>12,160</u>	<u>-</u>

Note Maturities

June 30, 2011

Year Ending June 30,	General Obligation Notes	
	Water Improvement	
	Issued June 28, 2011	
	Interest	
	Rates	Amount
2012	0.60 %	\$ 135,000
2013	0.85	105,000
2014	1.15	105,000
2015	1.50	105,000
2016	1.75	110,000
2017	2.10	110,000
Total		<u>\$ 670,000</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 Eight Years

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Receipts:			
Property tax	\$ 485,525	466,440	481,185
Tax increment financing	28,329	26,831	25,988
Other city tax	170,453	198,282	188,762
Licenses and permits	3,340	3,763	3,673
Use of money and property	47,591	57,374	83,047
Intergovernmental	575,865	197,294	222,492
Charges for service	114,713	120,555	151,017
Miscellaneous	109,887	3,383	8,724
	<u>\$ 1,535,703</u>	<u>1,073,922</u>	<u>1,164,888</u>
Total			
Disbursements:			
Operating			
Public safety	\$ 242,289	252,356	232,638
Public works	135,751	228,045	333,580
Health and social services	-	-	3,700
Culture and recreation	181,558	184,278	181,636
Community and economic development	389,569	53,396	33,792
General government	118,119	95,507	119,969
Debt service	278,060	127,980	133,345
Capital projects	-	-	-
	<u>\$ 1,345,346</u>	<u>941,562</u>	<u>1,038,660</u>
Total			

See accompanying independent auditor's report.

Schedule 5

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
497,426	434,181	534,965	544,977	518,592
38,264	47,443	47,344	46,792	42,279
207,459	234,196	201,501	157,241	63,582
4,374	2,758	4,336	3,803	3,548
73,111	53,765	58,366	36,921	28,980
240,792	391,951	286,462	237,540	175,138
124,266	111,008	88,494	78,904	40,821
35,117	56,384	368,926	2,311	10,162
<u>1,220,809</u>	<u>1,331,686</u>	<u>1,590,394</u>	<u>1,108,489</u>	<u>883,102</u>
259,661	203,740	201,319	201,961	154,866
128,284	222,028	131,015	156,335	146,453
-	-	-	-	-
179,826	184,573	208,211	159,762	127,746
87,971	311,864	65,297	30,858	25,929
86,240	83,583	106,096	109,513	89,133
154,715	155,300	267,050	218,271	232,415
32,000	3,487	952,625	144,267	-
<u>928,697</u>	<u>1,164,575</u>	<u>1,931,613</u>	<u>1,020,967</u>	<u>776,542</u>

Other Supplementary Information

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

714 14th Avenue North
Fort Dodge, IA 50501-7098
Phone 515.955.4805 • Fax 515.955.4673

Lowell W. Cornwell, C.P.A.
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.
jjmaher@frontiernet.net

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, 2011, 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 10, 2012. 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 described 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-11 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-11 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, 2011 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.

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

January 10, 2012

City of Guthrie Center, Iowa

Schedule of Findings

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-11 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-11 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, 2011

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-11 Certified Budget - Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation – The budget should have been amended in sufficient amounts before amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – This was an oversight this year. We forgot to budget for the debt service refinancing. We will amend the budget in sufficient amounts in the future, if applicable.

Conclusion – Response accepted.

City of Guthrie Center, Iowa

Schedule of Findings

Year ended June 30, 2011

II-B-11 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-11 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-11 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	\$ 6,646

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-11 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-11 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

City of Guthrie Center

Schedule of Findings

Year ended June 30, 2011

II-G-11 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-11 Revenue Notes - No violations of the revenue note resolutions were noted.

II-I-11 Deficit Balance – It was noted that the Special Revenue Fund, Neighborhood Stabilization Program had a deficit balance of \$5,882 at June 30, 2011.

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

Response – This deficit was due to project costs incurred prior to receipt of grant funds. This deficit has subsequently been eliminated.

Conclusion – Response accepted.