

**CITY OF GOWRIE, IOWA**

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

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2013**

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**City of Gowrie, Iowa**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dave Stokesbary	Mayor	Jan 2016
Gayle Redman	Mayor Pro Tem	Jan 2016
Bill Bush	Council Member	Jan 2014
Jeff Petersen	Council Member	Jan 2014
Joe Harrison	Council Member	Jan 2016
Corinne Jackson	Council Member	Jan 2014
Shelley Segebart	Clerk	Indefinite
Kevin Black	Treasurer	Indefinite
Mark Crimmins	Attorney	Indefinite

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

## Certified Public Accountants

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### Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Gowrie, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not

for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Basis for Qualified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2012.

#### Qualified Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2012, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Gowrie as of June 30, 2013, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

#### Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

#### Other Matters

##### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gowrie's basic financial statements. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to

prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2012, as discussed in the “Basis for Qualified Opinions” paragraph, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management’s Discussion and Analysis and the budgetary comparison information on pages 5 through 9 and 25 through 26 has not been subjected to the auditing procedures applied in the audit of the basic financials statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 30, 2014 on our consideration of the City of Gowrie’s internal control over financial reporting and on 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Gowrie’s internal control over financial reporting and compliance.

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

June 30, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Gowrie provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. Readers are encouraged to consider this information in conjunction with the City's financial statements, which follow.

Since the City is not required to be audited annually, much of the information is not easily comparable to prior years.

### 2013 FINANCIAL HIGHLIGHTS

\* Receipts of the City's governmental activities totaled \$3,113,927 which includes \$2,086,374 of bond proceeds.

\* Disbursements of the City's governmental activities totaled \$ 2,523,547, which included \$1,086,605 for capital projects.

\* The City's total cash basis net position increased \$590,380, from July 1, 2012 to June 30, 2013. It's important to review the revenue and expenditures analysis for the individual major governmental funds later in this analysis.

### USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

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

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

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds as well as the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. 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. 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.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increase or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position consists of the following activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

### *Fund Financial Statements*

The City has two types of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Sales & Service Tax, Employee Benefits, and Congregate Meals, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or

fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds includes a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The required financial statement for fiduciary funds is a Statement of Changes in Fiduciary Net Position.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, increasing from \$723,999 to \$1,314,379. The analysis that follows focuses on the changes in cash basis net position of governmental activities for the year ended June 30, 2013.

### Changes in Cash Basis Net Position of Governmental Activities

Receipts:	
Program receipts:	
Charges for service	\$ 100,953
Operating grants, contributions and restricted interest	274,869
Capital grants, contributions and restricted interest	57,869
General receipts:	
Property tax	388,560
Local option sales tax	141,602
Unrestricted interest on investments	5,602
Other general receipts	58,098
Bond proceeds	<u>2,086,374</u>
Total receipts	<u>3,113,927</u>
Disbursements:	
Public safety	130,783
Public works	100,028
Health and social services	75,282
Culture and recreation	265,948
Community and economic development	76,316
General government	53,848
Debt service	734,737
Capital projects	<u>1,086,605</u>
Total disbursements	<u>2,523,547</u>
Increase in cash basis net position	590,380
Cash basis net position beginning of year	<u>723,999</u>
Cash basis net position end of year	<u>\$ 1,314,379</u>

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Gowrie completed the year, its governmental funds reported a combined fund balance of \$1,314,379, an increase of more than \$590,000 above last year's total of \$723,999. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

\* The General Fund cash balance decreased \$31,479 from the prior year to \$385,893. Part of this decrease was due to the City taking over the golf course and needing to purchase new equipment.

\* The Debt Service Fund cash balance increased \$8,075 to \$44,376. Bond payments increased during the year due to the City refinancing the old general obligations bonds and having the first payment due on the new general obligation bonds.

The Capital Project Fund was established during the year and had a cash balance of \$500,338 at June 30, 2013. The City issued general obligation and local option sales tax revenue bonds to pay for the cost of renovating the pool and road improvement projects.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 20, 2013 and resulted in an increase in operating disbursements of \$1,510,871 primarily related to the pool renovations. The city also increased total receipts and other financing sources by \$1,937,178 for donations and bonds issued related to the pool project.

The City's receipts were \$222,918 more than budgeted. This was primarily due to the City receiving more in charges for services for the golf course that was not included in the budget.

Even with the budget amendment, total disbursements were \$364,910 more than the amended budgeted. The City exceeded the amounts budgeted in the public safety, health and social services, community and economic development, debt service, and capital projects functions. The pool project was budgeted under the culture and recreation function rather than the capital projects function. The payment for refinancing the general obligation bonds and the short term note obtained prior to issuance of the new debt were not included in the budget.

## DEBT ADMINISTRATION

At June 30, 2013, the City had \$1,685,000 of bonds outstanding, as shown below.

General obligation bonds	\$ 1,250,000
Revenue bonds	<u>435,000</u>
Total	<u>\$ 1,685,000</u>

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City of Gowrie continues to enhance the development of its current assets. The local economy of the City remains strong with additional businesses to enhance the commercial district.

In adopting the budget for the ensuing fiscal year 2013-2014, the City Council officials considered many factors in making decisions and estimates about the finances of the upcoming year. The City Council enlisted the assistance of John Danos, bonding attorney of Dorsey & Whitney and also Scott Stevenson of Ruan Securities on the direction that the City should take. The following are items the City Council considered forefront in the revenue and expenditure projections:

- Renovation of the current swimming pool
- Storm sewer project and street reconstruction between Market and Main Streets
- Rehabilitation grant for low to moderate income residents (houses) within a designated area.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Shelley Segebart, City Clerk, 1206 Market Street, Gowrie, Iowa 50543.

## **Basic Financial Statements**

City of Gowrie, Iowa  
Cash Basis Statement of Activities and Net Position  
As of and for the year ended June 30, 2013

		Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 130,783	-	21,211	-
Public works	100,028	5,589	99,309	-
Health and social services	75,282	23,865	56,900	-
Culture and recreation	265,948	71,499	27,138	57,869
Community and economic development	76,316	-	70,311	-
General government	53,848	-	-	-
Debt service	734,737	-	-	-
Capital projects	1,086,605	-	-	-
Total governmental activities	2,523,547	100,953	274,869	57,869
Component Unit:				
Utilities	1,628,687	1,335,538	-	-
<b>General Receipts:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Bond proceeds				
Miscellaneous				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Expendable:				
Debt service				
Capital projects				
Streets				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements.

Exhibit A

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

Governmental Activities	Component Unit Utilities
(109,572)	-
4,870	-
5,483	-
(109,442)	-
(6,005)	-
(53,848)	-
(734,737)	-
<u>(1,086,605)</u>	<u>-</u>
<u>(2,089,856)</u>	<u>-</u>
-	(293,149)

275,627	-
112,933	-
141,602	-
5,602	4,677
2,086,374	-
<u>58,098</u>	<u>94,457</u>
<u>2,680,236</u>	<u>99,134</u>
590,380	(194,015)
<u>723,999</u>	<u>1,071,905</u>
<u>\$ 1,314,379</u>	<u>877,890</u>

\$ 44,376
500,338
127,117
256,655
<u>385,893</u>
<u>\$ 1,314,379</u>

City of Gowrie, Iowa  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds  
As of and for the year ended June 30, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Receipts:			
Property tax	\$ 244,062	112,933	-
Other city tax	-	-	-
Licenses and permits	1,560	-	-
Use of money and property	5,782	328	-
Intergovernmental	16,519	-	-
Charges for service	132,834	-	-
Miscellaneous	88,076	-	-
Total receipts	<u>488,833</u>	<u>113,261</u>	<u>-</u>
Disbursements:			
Operating:			
Public safety	117,342	-	-
Public works	57,060	-	-
Health and social services	-	-	-
Culture and recreation	258,678	-	-
Community and economic development	-	-	-
General government	49,632	-	-
Debt service	-	734,737	-
Capital projects	-	-	973,899
Total disbursements	<u>482,712</u>	<u>734,737</u>	<u>973,899</u>
Excess (deficiency) of receipts over (under) disbursements	<u>6,121</u>	<u>(621,476)</u>	<u>(973,899)</u>
Other financing sources (uses):			
Bond proceeds	-	612,137	1,474,237
Operating transfers in	-	17,414	-
Operating transfers out	(37,600)	-	-
Total other financing sources (uses)	<u>(37,600)</u>	<u>629,551</u>	<u>1,474,237</u>
Change in cash balances	(31,479)	8,075	500,338
Cash balances beginning of year	417,372	36,301	-
Cash balances end of year	<u>\$ 385,893</u>	<u>44,376</u>	<u>500,338</u>
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Debt service	-	44,376	-
Capital projects	-	-	500,338
Streets	-	-	-
Other purposes	-	-	-
Unassigned	385,893	-	-
Total cash basis fund balances	<u>\$ 385,893</u>	<u>44,376</u>	<u>500,338</u>

See notes to financial statements.

Exhibit B

Nonmajor Governmental Funds	Total
31,565	388,560
141,602	141,602
-	1,560
1,907	8,017
169,620	186,139
23,865	156,699
56,900	144,976
<u>425,459</u>	<u>1,027,553</u>

13,441	130,783
42,968	100,028
75,282	75,282
7,270	265,948
76,316	76,316
4,216	53,848
-	734,737
112,706	1,086,605
<u>332,199</u>	<u>2,523,547</u>
<u>93,260</u>	<u>(1,495,994)</u>

-	2,086,374
37,600	55,014
(17,414)	(55,014)
<u>20,186</u>	<u>2,086,374</u>

113,446	590,380
270,326	723,999
<u>383,772</u>	<u>1,314,379</u>

-	44,376
-	500,338
127,117	127,117
256,655	256,655
-	385,893
<u>383,772</u>	<u>1,314,379</u>

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

As of and for the year ended June 30, 2013

	<u>Larson Trust Fund</u>
<b>Additions:</b>	
Interest	\$ <u>3,954</u>
Total additions	<u>3,954</u>
<b>Deductions:</b>	
Scholarships	1,977
Library	<u>1,977</u>
Total deductions	<u>3,954</u>
Change in net position	-
Net position beginning of the year	<u>200,000</u>
Net position end of the year	<u><u>\$200,000</u></u>

See notes to financial statements.

City of Gowrie, Iowa

Notes to Financial Statements

June 30, 2013

**(1) Summary of Significant Accounting Policies**

The City of Gowrie is a political subdivision of the State of Iowa located in Webster County. It was first incorporated in 1871 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.

**A. Reporting Entity**

For financial reporting purposes, City of Gowrie 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 Gowrie (the primary government) 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. Certain disclosures about the discretely presented component unit are not included because the component unit has been audited separately and a report has been issued under a separate cover. The audited financial statements are available at the Municipal Utilities office.

**Discretely Presented Component Unit**

The Gowrie Municipal Utilities is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's

City of Gowrie, Iowa

Notes to Financial Statements

June 30, 2013

financial statements to be misleading or incomplete. The Utilities is governed by a five-member board appointed by the City Council and the Utilities' operating budget is subject to the approval of the City Council.

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: Webster County Emergency Management Commission, Webster County Solid Waste Commission, and Webster County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position (previously referred to as 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 Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

City of Gowrie, Iowa

Notes to Financial Statements

June 30, 2013

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position 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. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies 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 not paid from other funds.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the construction of capital projects.

City of Gowrie, Iowa

Notes to Financial Statements

June 30, 2013

C. Measurement Focus and Basis of Accounting

The City of Gowrie 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 is both restricted and unrestricted cash basis net position 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.

D. Governmental Cash Basis Fund Balances

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

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 through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other spendable classifications.

City of Gowrie, Iowa

Notes to Financial Statements

June 30, 2013

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the public safety, health and social services, community and economic development, debt service and capital projects functions.

(2) **Cash**

The City's deposits in banks at June 30, 2013 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 improvements certificates of a drainage district.

At and during the year ended June 30, 2013, the City invested its excess funds in savings and certificates of deposit.

(3) **Bonds Payable**

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

Year Ending <u>June 30,</u>	General Obligation Notes		Revenue Bonds	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$100,000	27,200	40,000	9,341
2015	100,000	25,200	40,000	6,215
2016	100,000	23,200	40,000	5,875
2017	100,000	21,200	45,000	5,535
2018	100,000	19,200	45,000	4,950
2019-2023	525,000	64,875	225,000	13,815
2024-2025	<u>225,000</u>	<u>8,500</u>	<u>---</u>	<u>---</u>
Total	\$ <u>1,250,000</u>	<u>189,375</u>	<u>435,000</u>	<u>45,731</u>

City of Gowrie, Iowa

Notes to Financial Statements

June 30, 2013

Year Ending	Total	
	<u>Principal</u>	<u>Interest</u>
<u>June 30,</u>		
2014	\$140,000	36,541
2015	140,000	31,415
2016	140,000	29,075
2017	145,000	26,735
2018	145,000	24,150
2019-2023	750,000	78,690
2024-2025	<u>225,000</u>	<u>8,500</u>
Total	\$ <u>1,685,000</u>	<u>235,106</u>

General Obligation Refunding Bonds

On December 28, 2012, the City issued \$1,350,000 of general obligation corporate purpose and refunding bonds, with interest rates ranging from 2.00% to 2.50% for current refunding of general obligation storm sewer improvement bonds issued in 2006 and other improvements in the City. The refunding portion of the bonds was approximately \$310,000.

The City refunded the bonds to reduce its total debt service payments by approximately \$4,850 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$5,200. Annual debt service requirements to maturity of the general obligation refunding bonds are above.

Revenue Bonds

The City has pledged future local option sales tax receipts, to repay \$435,000 of bonds issued in December 2012. The bonds were issued for the purpose of financing a portion of the cost of pool renovations. The bonds are payable solely from proceeds of the local option sales tax received by the City and are payable through 2023. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require less than 35 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$480,731. For the current year, no principal or interest was paid on the bonds and total local option sales tax revenues were \$141,602.

City of Gowrie, Iowa

Notes to Financial Statements

June 30, 2013

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

- (a) The bonds will only be redeemed from the future local option sales tax revenues and if funds are insufficient they are payable from ad valorem taxes levied.
- (b) Sufficient monthly transfers shall be made to a general obligation local option sales tax bond sinking fund for the purpose of making the bond principal and interest payments when due.

**(4) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% 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 year ended June 30, 2013 was \$16,701 equal to the required contributions for the 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 three active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with WellMark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

City of Gowrie, Iowa

Notes to Financial Statements

June 30, 2013

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The city currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$664 for single coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2013, the City contributed \$19,056 and plan members eligible for benefits contributed \$0 to the plan.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. Sick leave hours accumulate and are paid only when used. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payments payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 7,180

This liability has been computed based on rates of pay in effect at June 30, 2013.

**(7) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

City of Gowrie, Iowa

Notes to Financial Statements

June 30, 2013

**(8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer From</u>	<u>Amount</u>
Debt service	Special Revenue: Local Option Sales Tax	\$ 17,414
Special Revenue: Housing Rehabilitation	General	<u>37,600</u>
Total		\$ <u>55,014</u>

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

**(9) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$1,766 during the year ended June 30, 2013.

**(10) Subsequent Events**

The City has evaluated subsequent events through June 30, 2014, the date the financial statements were available to be issued.

**(11) Construction Commitments**

The City has entered into contracts totaling \$1,166,199 for renovation of the swimming pool. As of June 30, 2013, costs of \$994,020 have been incurred against the contracts. The balance of \$172,179 will be paid as work on the project progresses.

City of Gowrie, Iowa

Notes to Financial Statements

June 30, 2013

**(12) Operating Leases**

The City entered into an operating lease with Leaf Capital Funding, LLC for the rental of a copier on May 31, 2012 for a period of 63 months. The amount paid for the fiscal year ended June 30, 2013 was \$717. Future rentals are scheduled as follows:

Year Ending <u>June 30,</u>	
2014	\$ 717
2015	717
2016	717
2017	717
2018	<u>119</u>
Total	\$ <u>2,987</u>

The City has a lease with Gowrie Golf, L.L.C. for rental of the golf course. The lease is for a period of five years beginning March 8th, 2013 and ending March 14th, 2018. The rent shall be the total sum of the periodic debt service owed by the Landlord subject to increase and/or decrease as expenses on the debt service change. Rent shall be paid on September 1st and March 1st of each year beginning September 1, 2013. There were no payments for the year ended June 30, 2013.

## **Other Information**

City of Gowrie, Iowa

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

Other Information

Year ended June 30, 2013

	Governmental Funds Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
<b>Receipts:</b>				
Property tax	\$ 388,560	387,181	387,181	1,379
Other city tax	141,602	77,353	77,353	64,249
Licenses and permits	1,560	1,205	1,205	355
Use of money and property	8,017	2,560	2,560	5,457
Intergovernmental	186,139	93,384	93,384	92,755
Charges for service	156,699	3,750	3,750	152,949
Miscellaneous	144,976	88,399	239,202	(94,226)
Total receipts	<u>1,027,553</u>	<u>653,832</u>	<u>804,635</u>	<u>222,918</u>
<b>Disbursements:</b>				
Public safety	130,783	117,589	121,789	(8,994)
Public works	100,028	159,284	173,084	73,056
Health and social services	75,282	-	-	(75,282)
Culture and recreation	265,948	126,586	1,427,053	1,161,105
Community and economic development	76,316	-	-	(76,316)
General government	53,848	56,299	121,618	67,770
Debt service	734,737	113,008	116,044	(618,693)
Capital projects	1,086,605	75,000	199,049	(887,556)
Total disbursements	<u>2,523,547</u>	<u>647,766</u>	<u>2,158,637</u>	<u>(364,910)</u>
Excess (deficiency) of receipts over (under) disbursements	(1,495,994)	6,066	(1,354,002)	(141,992)
Other financing sources, net	<u>2,086,374</u>	-	<u>1,786,375</u>	<u>299,999</u>
Excess of receipts and other financing sources over disbursements and other financing uses	590,380	6,066	432,373	158,007
Balances beginning of year	<u>723,999</u>	<u>520,138</u>	<u>520,138</u>	<u>203,861</u>
Balances end of year	<u>\$ 1,314,379</u>	<u>526,204</u>	<u>952,511</u>	<u>361,868</u>

See accompanying independent auditor's report.

City of Gowrie, Iowa

Notes to Other Information – Budgetary Reporting

June 30, 2013

The budgetary comparison is presented 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 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 ended June 30, 2013, one budget amendment increased budgeted disbursements by \$1,510,871 and budgeted receipts by \$150,803 and other financing sources by \$1,786,375. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the public safety, health and social services, community and economic development, debt service, and capital projects functions.

## **Supplementary Information**

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

As of and for the year ended June 30, 2013

	Special Revenue					Total
	Road Use	Trust & Agency	LOST	Congregate Meals	Housing Rehabilitation	
Receipts:						
Property tax	\$ -	31,565	-	-	-	31,565
Other city tax	-	-	141,602	-	-	141,602
Use of money and property	-	84	1,823	-	-	1,907
Intergovernmental	99,309	-	-	-	70,311	169,620
Charges for service	-	-	-	23,865	-	23,865
Miscellaneous	-	-	-	56,900	-	56,900
Total receipts	<u>99,309</u>	<u>31,649</u>	<u>143,425</u>	<u>80,765</u>	<u>70,311</u>	<u>425,459</u>
Disbursements:						
Operating:						
Public safety	-	13,441	-	-	-	13,441
Public works	36,231	6,737	-	-	-	42,968
Health and social services	-	-	-	75,282	-	75,282
Culture and recreation	-	7,270	-	-	-	7,270
Community and economic development	-	-	-	-	76,316	76,316
General government	-	4,216	-	-	-	4,216
Capital projects	-	-	112,706	-	-	112,706
Total disbursements	<u>36,231</u>	<u>31,664</u>	<u>112,706</u>	<u>75,282</u>	<u>76,316</u>	<u>332,199</u>
Excess (deficiency) of receipts over (under) disbursements	<u>63,078</u>	<u>(15)</u>	<u>30,719</u>	<u>5,483</u>	<u>(6,005)</u>	<u>93,260</u>
Other financing sources (uses):						
Operating transfers in	-	-	-	-	37,600	37,600
Operating transfers (out)	-	-	(17,414)	-	-	(17,414)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(17,414)</u>	<u>-</u>	<u>37,600</u>	<u>20,186</u>
Change in cash balances	63,078	(15)	13,305	5,483	31,595	113,446
Cash balances beginning of year	64,039	34,772	168,648	2,866	1	270,326
Cash balances end of year	<u>\$ 127,117</u>	<u>34,757</u>	<u>181,953</u>	<u>8,349</u>	<u>31,596</u>	<u>383,772</u>
<b>Cash Basis Fund Balances</b>						
Restricted for:						
Streets	127,117	-	-	-	-	127,117
Other purposes	-	34,757	181,953	8,349	31,596	256,655
Total cash basis fund balances	<u>\$ 127,117</u>	<u>34,757</u>	<u>181,953</u>	<u>8,349</u>	<u>31,596</u>	<u>383,772</u>

See accompanying independent auditor's report.

City of Gowrie, Iowa

Schedule of Indebtedness

Year ended June 30, 2013

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds:			
Storm sewer improvement	Mar 1, 2006	3.95-4.10 %	\$ 875,000
Corporate Purpose and refunding bonds	Dec 28, 2012	2.00-2.50 %	1,350,000
Total			
Revenue bonds:			
Local option sales tax	Dec 28, 2012	0.85-2.10 %	\$ 435,000
Notes:			
Swimming pool	Oct 30, 2012	0.46 %	\$ 300,000

See accompanying independent auditor's report.

Schedule 2

<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>
310,000	-	310,000	-	8,377	-
-	1,350,000	100,000	1,250,000	12,410	-
<u>\$ 310,000</u>	<u>1,350,000</u>	<u>410,000</u>	<u>1,250,000</u>	<u>20,787</u>	<u>-</u>
<u>-</u>	<u>435,000</u>	<u>-</u>	<u>435,000</u>	<u>2,786</u>	<u>-</u>
<u>-</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>264</u>	<u>-</u>

Bond Maturities

June 30, 2013

Year Ending June 30,	General Obligation Corporate Purpose and Refunding Issued December 28, 2012		Revenue Bonds Local Option Sales Tax Issued December 28, 2012	
	Interest		Interest	
	Rates	Amount	Rates	Amount
2014	2.00 %	\$100,000	0.85 %	\$ 40,000
2015	2.00	100,000	0.09	40,000
2016	2.00	100,000	0.85	40,000
2017	2.00	100,000	1.30	45,000
2018	2.00	100,000	1.30	45,000
2019	2.00	100,000	1.30	45,000
2020	2.00	105,000	2.10	45,000
2021	2.00	105,000	2.10	45,000
2022	2.50	105,000	2.10	45,000
2023	2.50	110,000	2.10	45,000
2024	2.50	110,000		-
2025	2.50	115,000		-
Total		<u>\$ 1,250,000</u>		<u>\$ 435,000</u>

See accompanying independent auditor's report.

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

**Certified Public Accountants**

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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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Gowrie, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 30, 2014. Our report expressed unqualified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Gowrie's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Gowrie's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Gowrie's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and 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 a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Gowrie's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-13 through I-C-13 to be material weaknesses.

A significant deficiency is a deficiency, or a 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 items I-D-13 through I-F-13 to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Gowrie'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 which 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, 2013 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 Gowrie's Responses to Findings

The City of Gowrie's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Gowrie's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Gowrie 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

June 30, 2014

City of Gowrie, Iowa

Schedule of Findings

Year ended June 30, 2013

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-13 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 cash receipts listing, bank deposits and the positing of cash receipts to the cash receipts journal are all done by the same person. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – We are doing everything we can within our situation and make improvements as the situation changes, including using elected officials.

Conclusion - Response accepted.

I-B-13 Preparation of Financial Statements – The City does not have an internal control system designed to provide for the preparation of the financial statements in accordance with the cash basis of accounting. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to the City of Gowrie. It is the responsibility of 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.

City of Gowrie, Iowa

Schedule of Findings

Year ended June 30, 2013

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

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue to evaluate the risks to be accepted in preparation of the financial statements.

Conclusion – Response accepted.

- I-C-13 Financial Reporting – During the audit, we identified a material amount of property tax misposted to Employee Benefits rather than the General Fund. Adjustments were subsequently made by the City to properly report these amounts in the City’s financial statements.

Recommendation – The City should implement procedures to ensure property tax receipts are properly recorded in the City’s financial statements.

Response – We will double check this in the future to avoid errors.

Conclusion – Response accepted.

- I-D-13 Payroll – It was noted during our audit that two employees didn’t receive a pay raise that had been approved by the council for fiscal year ended June 30, 2013.

Recommendation – At the first effective payroll after the council has approved a pay increase, the pay rates should be adjusted in the payroll system.

Response – This was an over site this year. The employees were paid as soon as the error was discovered in the subsequent fiscal year.

Conclusion – Response accepted.

City of Gowrie, Iowa

Schedule of Findings

Year ended June 30, 2013

I-E-13 Bank Reconciliations – We noted during our audit that the City does not reconcile the bank statements to the general ledger on a timely basis.

Recommendation – The City should reconcile the bank statements balances to the financial statement balances on a monthly basis.

Response – We switched to a new software program at the beginning of the year and there were some problems in how the checking accounts were set up. We worked with the software company in getting them corrected but fell behind. In the future, bank reconciliations will be completely on a timely basis.

Conclusion – Response accepted.

I-F-13 Disbursements Approval – For three disbursements tested, there was no evidence of Council approval and two invoices were approved after they were paid. For three disbursements the invoice could not be located. Also seven disbursements tested were not published.

Recommendation – The City should ensure all disbursements are properly approved and published. Also, all disbursements should have copies of invoices as supporting documentation.

Response – We will ensure all disbursements are properly approved and published. We will also keep copies of invoices as supporting documentation.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Gowrie, Iowa

Schedule of Findings

Year ended June 30, 2013

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

- II-A-13 Certified Budget – Disbursements for the year ended June 30, 2013 exceeded the amended budget amounts in the public safety, health and social services, community and economic development, debt service, and capital projects functions. 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.”

Also, the amount of property tax in the adopted budget was more than the amount published. Chapter 384.16(5) of the Code of Iowa states, in part, “The tax levy certified may be less than but not more than the amount estimated in the proposed budget.”

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. The certified tax levy should not be more than the amount published.

Response –The budget will be amended in sufficient amounts in the future, if applicable. The pool renovation project was budgeted under the culture and recreation function rather than capital projects. We will review the budget to be published to make sure the property taxes are not less than the amount to be certified.

Conclusion – Response accepted.

- II-B-13 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-13 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-13 Business Transactions – Business transactions between the City and City officials are detailed as follows:

City of Gowrie, Iowa

Schedule of Findings

Year ended June 30, 2013

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jeff Petersen, Council Member, Owner of Jamboree Foods	Supplies	\$ 1,766

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the transactions with the Council Member do not appear to represent a conflict of interest since total transactions with the individual were less than \$2,500 during the fiscal year.

II-E-13 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

II-F-13 Council Minutes – As previously noted, three disbursements requiring Council approval had not been approved by the Board and two others were paid before approved.

Also, the minutes did not cite the reason for a closed session or note if a roll call vote was taken as required by Chapter 21 of the Code of Iowa, commonly known as the open-meetings law.

Although minutes of City Council proceedings were published, they were not published within fifteen days and did not have a summary of all receipts or total disbursements for each fund as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and should publish minutes timely, publish receipt and disbursement information, and properly approve payments as required.

Response – We will comply with the Code requirements for closed sessions. We will publish minutes and approve payments as required.

Conclusion – Response accepted.

City of Gowrie, Iowa

Schedule of Findings

Year ended June 30, 2013

II-G-13 Deposits and Investments – The City could not find approval of a depository resolution naming depositories or maximum amounts as required by Chapter 12C.

Recommendation – The City should approve a depository resolution.

Response – We will approve a depository resolution.

Conclusion – Response accepted.

II-H-13 Revenue Bonds – No instances of non-compliance with the revenue bond resolutions were noted.

II-I-13 Annual Report – The fund balances did not reconcile from the annual report to the City's financial records.

Recommendation – The annual report should reconcile to the City's records.

Response – We will make sure future reports reconcile to the City's records.

Conclusion – Response accepted.