

CITY OF GUTHRIE CENTER, IOWA

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

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

City of Guthrie Center, Iowa

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City of Guthrie Center, Iowa

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|------------------------------|----------------------|---------------------|
| (Before January 2014) | | |
| Dennis Kunkle | Mayor | Jan 2014 |
| Dennis Patrick | Council Member | Jan 2014 |
| Bob Paterson | Council Member | Jan 2014 |
| Carolyn Masters | Council Member | Jan 2016 |
| Craig Heckman | Council Member | Jan 2016 |
| Roger Underwood | Council Member | Jan 2016 |
| Elden Wolfe | Utility Trustee | Jan 2014 |
| Scott Gonzales | Utility Trustee | Jan 2016 |
| Dan Nickell | Utility Trustee | Jan 2018 |
| Laura Imerman | City Clerk/Treasurer | Jan 2014 |
| Donna Benton | Deputy Clerk | Jan 2014 |
| David Bruner | City Attorney | Jan 2014 |
| (After January 2014) | | |
| Dennis Kunkle | Mayor | Jan 2016 |
| Dennis Patrick | Council Member | Jan 2018 |
| Randy Nickel | Council Member | Jan 2018 |
| Carolyn Masters | Council Member | Jan 2016 |
| Craig Heckman | Council Member | Jan 2016 |
| Roger Underwood | Council Member | Jan 2016 |
| Elden Wolfe | Utility Trustee | Jan 2020 |
| Scott Gonzales | Utility Trustee | Jan 2016 |
| Dan Nickell | Utility Trustee | Jan 2018 |
| Laura Imerman | City Clerk/Treasurer | Jan 2015 |
| Donna Benton | Deputy Clerk | Jan 2015 |
| David Bruner | City Attorney | Jan 2015 |

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 business type activities, the discretely presented component unit, 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, 2014, 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 of 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 opinions.

Opinions

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Guthrie Center as of June 30, 2014, 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.

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 opinion is 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 Guthrie Center's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unqualified opinions on those financial statements, other than a disclaimer of opinion on the discretely presented component unit, which were prepared on the basis of cash receipts and disbursements. The 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.

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 financial statements. Such information has been subjected to the auditing procedures applied in our 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 the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, 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 10 and 28 through 30 has not been subjected to the auditing procedures applied in the audit of the basic financial 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 April 29, 2015 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.

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

April 29, 2015

**CITY OF GUTHRIE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

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, 2014 based on currently known facts, decisions or conditions. This analysis focuses on fiscal year 13/14 activities as compared to 12/13 and should be read in conjunction with the City's financial statements that begin on page 11.

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, 2014**

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 33. 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, 2014**

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.

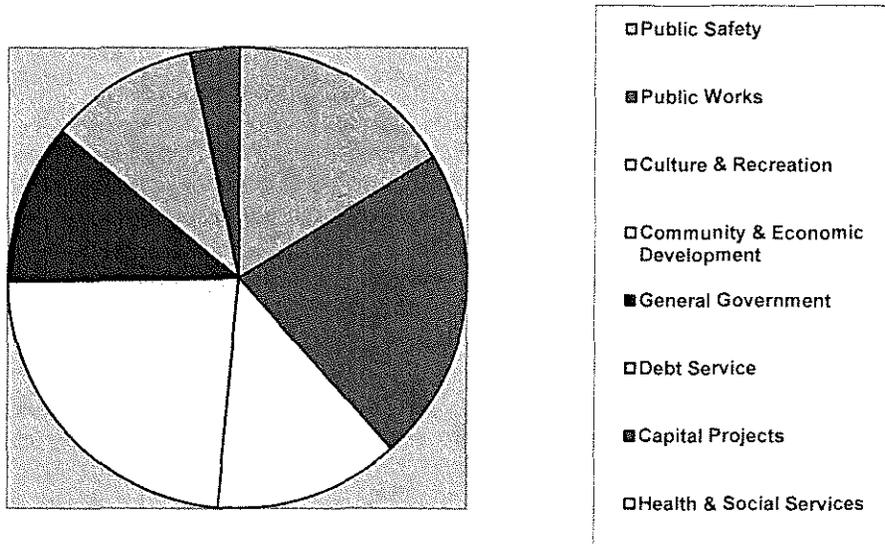
Second, of particular interest is the format that is significantly different than a typical Statement of Revenue, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. 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, 2014, the City's governmental activities were funded 41% from general taxes levied, as compared to 28% for the year ended June 30, 2013. The remaining 59% of the City's governmental activities were funded through local option sales tax, fees, interest and sales of assets. Property tax revenues declined slightly and are expected to remain flat. Commercial tax revenues are expected to decline in the next few years due to recent legislation regarding rollbacks.

**CITY OF GUTHRIE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

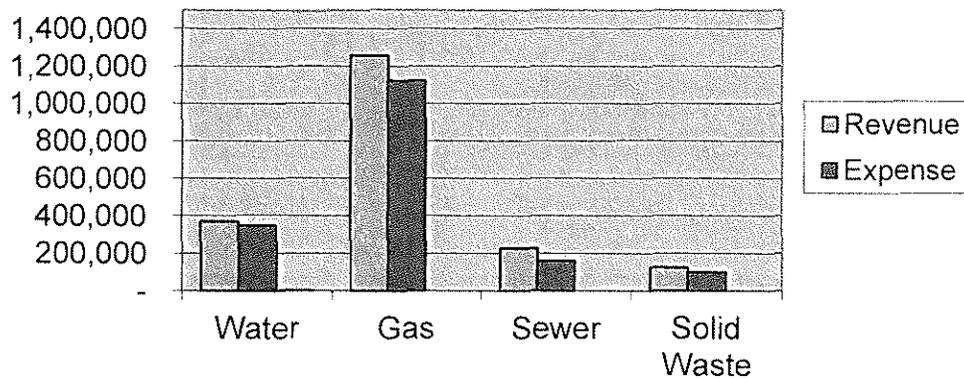
Uses of Funds in Governmental Activities



Spending is down over 27% FY 13/14 as compared to FY 12/13 due largely to no large capital projects in the FY 13/14 budget as compared to FY 12/13. The City did have expenditures larger in FY 13/14 in Community and Economic Development due to a CDBG Housing Rehabilitation pass through grant that was not in place during FY 12/13

Business-type Activities

For the year ended June 30, 2014, the City's business-type activities revenues and expenses were as follows:



**CITY OF GUTHRIE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

All operating revenues remained relatively flat for FY 13/14 as compared to FY 12/13. Expenses in water were greater due to water main and valve replacement projects.

Debt Outstanding

As of year-end, the City had \$1,105,000 in debt as compared to \$1,235,000 in 12/13. No new debt was incurred during the year.

Outstanding Debt at Year End

| | Totals | |
|--------------------|---------------------|---------------------|
| | 2014 | 2013 |
| Governmental | | |
| General obligation | \$ 1,105,000 | \$ 1,235,000 |
| Tax increment | 0 | 0 |
| Subtotal | 1,105,000 | 1,355,000 |
| Business-type | | |
| Water revenue | 0 | 0 |
| Subtotal | 0 | 0 |
| Total | \$ 1,105,000 | \$ 1,355,000 |

TIF Rebates/Developer Rebates

The City's current outstanding debt includes 2011 debt used for a water main project and refinancing of pool debt along with 2012 debt for the downtown lights and sidewalk project.

Economic Factors and Next year's budget and rates

The City's elected and appointed officials and citizens considered many factors when setting the 14/15 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 and will be declining due to commercial rollbacks. For the year ending June 30, 2015 the general fund has been budgeted fairly consistently with the 13/14 year.

**CITY OF GUTHRIE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

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 Position - Cash Basis
As of and for the year ended June 30, 2014

| | | Program Receipts | |
|---|---------------------|------------------|-----------------|
| | Charges for | Operating Grants | Capital Grants |
| | Service | and Restricted | and Restricted |
| <u>Disbursements</u> | <u>Interest</u> | <u>Interest</u> | <u>Interest</u> |
| Functions/Programs: | | | |
| Primary Government: | | | |
| Governmental activities: | | | |
| Public safety | \$ 231,230 | 1,698 | 17,653 |
| Public works | 315,825 | - | 191,671 |
| Culture and recreation | 188,002 | 70,029 | 23,228 |
| Community and economic development | 333,313 | 255 | 285,565 |
| General government | 161,293 | 17,943 | - |
| Debt service | 150,448 | - | - |
| Capital projects | 49,305 | - | 174,154 |
| Total governmental activities | 1,429,416 | 89,925 | 518,117 |
| Business type activities: | | | |
| Water | 454,304 | 370,771 | - |
| Gas | 1,135,548 | 1,257,330 | - |
| Sewer | 164,193 | 227,024 | - |
| Nonmajor business type activities | 97,937 | 124,344 | - |
| Total business type activities | 1,851,982 | 1,979,469 | - |
| Total primary government | \$ 3,281,398 | 2,069,394 | 518,117 |
| Component Unit: | | | |
| Firefighters Association | \$ 317,317 | - | 213,107 |
| General Receipts: | | | |
| Property and other city tax levied for: | | | |
| General purposes | | | |
| Debt service | | | |
| Tax increment financing | | | |
| Local option sales tax | | | |
| Unrestricted interest on investments | | | |
| Miscellaneous | | | |
| Total general receipts | | | |
| Change in cash basis net position | | | |
| Cash basis net position beginning of year | | | |
| Cash basis net position end of year | | | |
| Cash Basis Net Position | | | |
| Restricted: | | | |
| Nonexpendable: | | | |
| Cemetery perpetual care | | | |
| Expendable: | | | |
| Streets | | | |
| Fire department | | | |
| Debt service | | | |
| Other purposes | | | |
| Unrestricted | | | |
| Total cash basis net position | | | |

See notes to financial statements.

Exhibit A

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

| Primary Government | | | Component Unit |
|----------------------------|--------------------------------|------------------|---|
| Governmental Activities | Business Type Activities | Total | Guthrie Center Firefighters Association |
| (211,879) | - | (211,879) | - |
| (124,154) | - | (124,154) | - |
| (94,745) | - | (94,745) | - |
| (47,493) | - | (47,493) | - |
| (143,350) | - | (143,350) | - |
| (150,448) | - | (150,448) | - |
| 124,849 | - | | |
| <u>(647,220)</u> | <u>-</u> | <u>(647,220)</u> | <u>-</u> |
| - | (83,533) | (83,533) | - |
| - | 121,782 | 121,782 | - |
| - | 62,831 | 62,831 | - |
| - | 26,407 | 26,407 | - |
| - | <u>127,487</u> | <u>127,487</u> | <u>-</u> |
| <u>(647,220)</u> | <u>127,487</u> | <u>(519,733)</u> | <u>-</u> |
| - | - | - | (104,210) |
| 435,111 | - | 435,111 | - |
| 149,891 | - | 149,891 | - |
| 14,332 | - | 14,332 | - |
| 124,307 | - | 124,307 | - |
| 10,708 | 36,429 | 47,137 | - |
| 47,431 | 76,381 | 123,812 | - |
| <u>781,780</u> | <u>112,810</u> | <u>894,590</u> | <u>-</u> |
| 134,560 | 240,297 | 374,857 | (104,210) |
| 1,729,265 | 3,664,180 | 5,393,445 | 256,648 |
| <u>\$ 1,863,825</u> | <u>3,904,477</u> | <u>5,768,302</u> | <u>152,438</u> |
| \$ 52,710 | - | 52,710 | - |
| - | - | - | - |
| 118,871 | - | 118,871 | 15,423 |
| 41,213 | - | 41,213 | - |
| 502,816 | 42,932 | 545,748 | - |
| <u>1,148,215</u> | <u>3,861,545</u> | <u>5,009,760</u> | <u>137,015</u> |
| <u>\$ 1,863,825</u> | <u>3,904,477</u> | <u>5,768,302</u> | <u>152,438</u> |

City of Guthrie Center, Iowa

Exhibit B

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

As of and for the year ended June 30, 2014

| | <u>General</u> | <u>Road Use</u> | <u>Other Nonmajor Governmental Funds</u> | <u>Total</u> |
|--|-------------------|---------------------|--|------------------|
| Receipts: | | | | |
| Property tax | \$ 316,919 | - | 240,298 | 557,217 |
| Tax increment financing | - | - | 14,332 | 14,332 |
| Other city tax | 18,018 | - | 134,075 | 152,093 |
| Licenses and permits | 4,291 | - | - | 4,291 |
| Use of money and property | 38,122 | - | 1,293 | 39,415 |
| Intergovernmental | 305,546 | 156,672 | 516 | 462,734 |
| Charges for service | 78,426 | - | - | 78,426 |
| Miscellaneous | 1,332 | - | 252,498 | 253,830 |
| Total receipts | <u>762,654</u> | <u>156,672</u> | <u>643,012</u> | <u>1,562,338</u> |
| Disbursements: | | | | |
| Operating: | | | | |
| Public safety | 179,423 | - | 51,807 | 231,230 |
| Public works | 4,190 | 278,066 | 33,569 | 315,825 |
| Culture and recreation | 168,069 | - | 19,933 | 188,002 |
| Community and economic development | 271,392 | - | 61,921 | 333,313 |
| General government | 114,370 | - | 46,923 | 161,293 |
| Debt service | - | - | 150,448 | 150,448 |
| Capital projects | - | - | 49,305 | 49,305 |
| Total disbursements | <u>737,444</u> | <u>278,066</u> | <u>413,906</u> | <u>1,429,416</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>25,210</u> | <u>(121,394)</u> | <u>229,106</u> | <u>132,922</u> |
| Other financing sources (uses): | | | | |
| Sale of capital assets | 1,638 | - | - | 1,638 |
| Transfers in | - | - | 35,276 | 35,276 |
| Transfers out | (276) | (25,000) | (10,000) | (35,276) |
| Total other financing sources (uses) | <u>1,362</u> | <u>(25,000)</u> | <u>25,276</u> | <u>1,638</u> |
| Net change in cash balances | 26,572 | (146,394) | 254,382 | 134,560 |
| Cash balances beginning of year | 961,227 | 306,810 | 461,228 | 1,729,265 |
| Cash balances end of year | <u>\$ 987,799</u> | <u>160,416</u> | <u>715,610</u> | <u>1,863,825</u> |
| Cash Basis Fund Balances | | | | |
| Nonspendable - Cemetery perpetual care | \$ - | - | 52,710 | 52,710 |
| Restricted for: | | | | |
| Streets | - | - | - | - |
| Fire department | - | - | 118,871 | 118,871 |
| Debt service | - | - | 41,213 | 41,213 |
| Other purposes | - | - | 502,816 | 502,816 |
| Unassigned | 987,799 | 160,416 | - | 1,148,215 |
| Total cash basis fund balances | <u>\$ 987,799</u> | <u>160,416</u> | <u>715,610</u> | <u>1,863,825</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, 2014

| | Enterprise Funds | | | | |
|--|-------------------|------------------|----------------|--|------------------|
| | Water | Gas | Sewer | Other Nonmajor Proprietary Funds | Total |
| Operating receipts: | | | | | |
| Use of money and property | \$ 1,250 | 3,900 | | - | 5,150 |
| Charges for service | 369,521 | 1,253,430 | 227,024 | 124,344 | 1,974,319 |
| Total operating receipts | <u>370,771</u> | <u>1,257,330</u> | <u>227,024</u> | <u>124,344</u> | <u>1,979,469</u> |
| Operating disbursements: | | | | | |
| Business type activities | 348,887 | 1,123,292 | 158,903 | 97,937 | 1,729,019 |
| Total operating disbursements | <u>348,887</u> | <u>1,123,292</u> | <u>158,903</u> | <u>97,937</u> | <u>1,729,019</u> |
| Excess of operating receipts over operating disbursements | <u>21,884</u> | <u>134,038</u> | <u>68,121</u> | <u>26,407</u> | <u>250,450</u> |
| Non-operating receipts (disbursements): | | | | | |
| Interest on investments | 732 | 33,127 | 1,280 | 1,290 | 36,429 |
| Miscellaneous | 6,722 | 69,341 | 318 | - | 76,381 |
| Capital projects | (105,417) | (12,256) | (5,290) | - | (122,963) |
| Total non-operating receipts (disbursements) | <u>(97,963)</u> | <u>90,212</u> | <u>(3,692)</u> | <u>1,290</u> | <u>(10,153)</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>(76,079)</u> | <u>224,250</u> | <u>64,429</u> | <u>27,697</u> | <u>240,297</u> |
| Operating transfers in (out) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Change in cash balances | <u>(76,079)</u> | <u>224,250</u> | <u>64,429</u> | <u>27,697</u> | <u>240,297</u> |
| Cash balances beginning of year | <u>414,982</u> | <u>2,586,824</u> | <u>357,868</u> | <u>304,506</u> | <u>3,664,180</u> |
| Cash balances end of year | <u>\$ 338,903</u> | <u>2,811,074</u> | <u>422,297</u> | <u>332,203</u> | <u>3,904,477</u> |
| Cash Basis Fund Balances | | | | | |
| Restricted: | | | | | |
| Meter deposits | 9,569 | 29,008 | 4,355 | - | 42,932 |
| Unrestricted | 329,334 | 2,782,066 | 417,942 | 332,203 | 3,861,545 |
| Total cash basis fund balances | <u>\$ 338,903</u> | <u>2,811,074</u> | <u>422,297</u> | <u>332,203</u> | <u>3,904,477</u> |

See notes to financial statements.

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

As of and for the year ended June 30, 2014

| | Miscellaneous <u>Trust Funds</u> |
|--------------------------------------|-------------------------------------|
| Additions: | |
| Contributions | \$ 26,907 |
| Total additions | <u>26,907</u> |
| Deductions: | |
| Total deductions | <u>2,850</u> |
| Change in net position | 24,057 |
| Net position - beginning of the year | <u>4,346</u> |
| Net position - end of the year | <u><u>\$ 28,403</u></u> |

See notes to financial statements.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2014

(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.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2014

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 Position 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 them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net positions result when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net positions consist of net positions not meeting the definition of the preceding categories. Unrestricted net positions 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, 2014

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 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 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 that are not paid from other funds.

Special Revenue:

The Road Use Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

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 Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2014

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

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 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.

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.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2014

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.

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 Other Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the debt service function.

F. Subsequent Events

Subsequent events have been evaluated through April 29, 2015, which is the date the financial statements were available to be issued.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2014

(2) Cash

The City's deposits in banks at June 30, 2014 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, 2014. During the year, the City invested its excess excess funds in certificates of deposit and money market savings accounts.

(3) Notes Payable

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

| Year Ending <u>June 30,</u> | General Obligation Notes | |
|-----------------------------------|-----------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2015 | \$ 130,000 | 17,890 |
| 2016 | 135,000 | 16,065 |
| 2017 | 135,000 | 13,890 |
| 2018 | 135,000 | 11,330 |
| 2019 | 140,000 | 9,710 |
| 2020 | 140,000 | 7,750 |
| 2021 | 145,000 | 5,510 |
| 2022 | <u>145,000</u> | <u>2,900</u> |
| Total | \$ <u>1,105,000</u> | <u>85,045</u> |

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2014

(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 5.95% of their annual covered salary and the City is required to contribute 8.93% 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, 2014, 2013 and 2012 were \$45,539, \$46,471, and \$46,735, respectively, equal to the required contributions for each year.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 9 active and no retired members in the plan. Retired participants must be age 55 or older to participate.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark in which the City provides 85% of the coverage and plan members contribute the other 15%. 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 \$519 for single coverage and \$1059 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2014, the City contributed \$88,115 and plan members eligible for benefits contributed \$15,550 to the plan.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2014

(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, 2014, primarily relating to business type activities is as follows:

| <u>Type of Benefit</u> | <u>Amount</u> |
|------------------------|------------------|
| Vacation | \$ 35,500 |
| Sick leave | 31,100 |
| Compensatory time | <u>9,600</u> |
| Total | \$ <u>76,200</u> |

This liability has been computed based on rates of pay in effect at June 30, 2014.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|---|--|------------------|
| Special Revenue: Fire/EMS | General | \$ 276 |
| Special Revenue: Fire Truck Replacement | Special Revenue: Local option sales tax | 10,000 |
| Capital Projects: Street Capital Equipment | Special Revenue: Road Use | <u>25,000</u> |
| Total | | \$ <u>35,276</u> |

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2014

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/ Component Units

The detail of interfund receivables and payables at June 30, 2014 is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|--------------------------|-------------------|
| Enterprise: | | |
| Gas Depreciation | Water | \$ 55,196 |
| General | Firefighters Association | <u>111,500</u> |
| | | <u>\$ 166,696</u> |

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

(9) Risk Management

The City of Guthrie Center is a member of 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 700 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

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2014

reinsurance expenses estimated for 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 at a level determined by the Board not to exceed 300% of the basis rate 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, reinsurance premiums, losses and loss of expenses for property risks estimated for the fiscal 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, 2014 were \$70,493.

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 through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the city's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims of losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event of a casualty claim 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, 2014, 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

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2014

was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

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 \$10,179 between the City and City officials, during the year ended June 30, 2014.

(11) Commitments

As of June 30, 2014, the City had the following commitments with respect to major projects:

| <u>Project</u> | <u>Commitment</u> |
|---------------------|-------------------|
| Gas Extension Lines | \$ 51,000 |
| Façade Improvements | \$ 600,000 |

The façade improvements will be financed by a \$500,000 grant and contributions from store owners.

The City has also committed to a purchased gas contract of approximately \$538,000 that will be used through the year 2015.

City of Guthrie Center, Iowa

Notes to Financial Statements

June 30, 2014

(12) Subsequent Events

The City and Utilities plan on taking funds out of reserves to purchase and remodel a municipal building. Also, the City has been notified that they will receive a contribution from an estate for approximately \$440,000. This contribution went into a special fund restricted for the fire department.

(13) Contingencies

There are also some major improvements that may need to be completed for the sanitary sewer system of up to \$2 million. This amount may be reduced based on mitigating improvements completed in prior years.

(14) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

Other 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

Other Information

Year ended June 30, 2014

| | Governmental Funds <u>Actual</u> | Proprietary Funds <u>Actual</u> |
|---|--|---------------------------------------|
| Receipts: | | |
| Property tax | \$ 557,217 | - |
| Tax increment financing | 14,332 | - |
| Other city tax | 152,093 | - |
| Licenses and permits | 4,291 | - |
| Use of money and property | 39,415 | 41,579 |
| Intergovernmental | 462,734 | - |
| Charges for service | 78,426 | 1,974,319 |
| Miscellaneous | <u>253,830</u> | <u>76,381</u> |
| Total receipts | <u>1,562,338</u> | <u>2,092,279</u> |
| Disbursements: | | |
| Public safety | 231,230 | - |
| Public works | 315,825 | - |
| Health and social services | - | - |
| Culture and recreation | 188,002 | - |
| Community and economic development | 333,313 | - |
| General government | 161,293 | - |
| Debt service | 150,448 | - |
| Capital projects | 49,305 | - |
| Business type activities | - | <u>1,851,982</u> |
| Total disbursements | <u>1,429,416</u> | <u>1,851,982</u> |
| Excess (deficiency) of receipts over (under) disbursements | 132,922 | 240,297 |
| Other financing sources, net | <u>1,638</u> | - |
| Excess of receipts and other financing sources over disbursements | 134,560 | 240,297 |
| Balances beginning of year | <u>1,729,265</u> | <u>3,664,180</u> |
| Balances end of year | <u>\$ 1,863,825</u> | <u>3,904,477</u> |

See accompanying independent auditor's report.

| Net | Budgeted Amounts | | Final to Net Variance |
|------------------|------------------|------------------|-----------------------------|
| | Original | Final | |
| 557,217 | 554,563 | 554,563 | 2,654 |
| 14,332 | 15,425 | 14,330 | 2 |
| 152,093 | 149,980 | 184,980 | (32,887) |
| 4,291 | 2,450 | 4,085 | 206 |
| 80,994 | 38,280 | 33,590 | 47,404 |
| 462,734 | 178,690 | 686,520 | (223,786) |
| 2,052,745 | 2,009,530 | 2,119,680 | (66,935) |
| 330,211 | 1,000 | 60,450 | 269,761 |
| <u>3,654,617</u> | <u>2,949,918</u> | <u>3,658,198</u> | <u>(3,581)</u> |
| 231,230 | 327,940 | 252,672 | 21,442 |
| 315,825 | 220,910 | 351,970 | 36,145 |
| - | - | - | - |
| 188,002 | 213,045 | 276,920 | 88,918 |
| 333,313 | 79,725 | 565,005 | 231,692 |
| 161,293 | 119,220 | 174,055 | 12,762 |
| 150,448 | 150,348 | 150,350 | (98) |
| 49,305 | - | 49,310 | 5 |
| <u>1,851,982</u> | <u>1,902,655</u> | <u>2,151,735</u> | <u>299,753</u> |
| <u>3,281,398</u> | <u>3,013,843</u> | <u>3,972,017</u> | <u>690,619</u> |
| 373,219 | (63,925) | (313,819) | 687,038 |
| <u>1,638</u> | <u>-</u> | <u>1,640</u> | <u>2</u> |
| 374,857 | (63,925) | (312,179) | 687,040 |
| <u>5,393,445</u> | <u>5,393,445</u> | <u>5,393,445</u> | <u>-</u> |
| <u>5,768,302</u> | <u>5,329,520</u> | <u>5,081,266</u> | <u>687,040</u> |

City of Guthrie Center, Iowa

Notes to Other Information – Budgetary Reporting

June 30, 2014

The budgetary comparison is presented as 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 increased budgeted revenues by \$708,280, budgeted disbursements by \$958,174 and other financing services by \$1,640. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the debt service function.

Supplementary Information

City of Guthrie Center, Iowa

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

As of and for the year ended June 30, 2014

| | Employee Benefits | Local Option Sales Tax | Neighborhood Stabilization Program |
|--|----------------------|------------------------------|--|
| Receipts: | | | |
| Property tax | \$ 96,233 | - | - |
| Tax increment financing | - | - | - |
| Other city tax | 3,942 | 124,306 | - |
| Use of money and property | 299 | - | - |
| Intergovernmental | - | - | - |
| Miscellaneous | - | 42,300 | 20,384 |
| Total receipts | <u>100,474</u> | <u>166,606</u> | <u>20,384</u> |
| Disbursements: | | | |
| Operating: | | | |
| Public safety | 44,007 | - | - |
| Public works | 29,818 | 3,751 | - |
| Culture and recreation | 11,783 | 8,150 | - |
| Community and economic development | - | 27,205 | 20,384 |
| General government | 14,923 | 32,000 | - |
| Debt Service | - | - | - |
| Capital Projects | - | - | - |
| Total disbursements | <u>100,531</u> | <u>71,106</u> | <u>20,384</u> |
| Excess (deficiency) of receipts over (under) disbursements | (57) | 95,500 | - |
| Other financing sources (uses): | | | |
| Transfers in | - | - | - |
| Transfers out | - | (10,000) | - |
| Total other financing sources (uses) | - | <u>(10,000)</u> | - |
| Change in cash balances | (57) | 85,500 | - |
| Cash balances beginning of year | <u>82,797</u> | <u>182,781</u> | - |
| Cash balances end of year | <u>82,740</u> | <u>268,281</u> | - |
| Cash Basis Fund Balances | | | |
| Nonspendable - Cemetery perpetual care | - | - | - |
| Restricted for: | | | |
| Streets | - | - | - |
| Fire department | - | - | - |
| Debt service | - | - | - |
| Other purposes | 82,740 | 268,281 | - |
| Unassigned | - | - | - |
| Total cash basis fund balances | <u>\$ 82,740</u> | <u>268,281</u> | - |

See accompanying independent auditor's report.

| Special Revenue | | | Capital Projects | | | | | | |
|-----------------|--------------------------------|------------------------|------------------------------|--------------------------------|---------------------|-----------------|-------------------------------|----------|--|
| Fire/ EMS | Library Expendable Trust | TIF FSA Building | Fire Truck Replacement | Street Capital Equipment | Capital Projects | Debt Service | Cemetery Perpetual Care | Total | |
| - | - | - | - | - | - | 144,065 | - | 240,298 | |
| - | - | 14,332 | - | - | - | - | - | 14,332 | |
| - | - | - | - | - | - | 5,827 | - | 134,075 | |
| 683 | - | - | 311 | - | - | - | - | 1,293 | |
| - | 516 | - | - | - | - | - | - | 516 | |
| 14,500 | 410 | - | - | - | 174,154 | - | 750 | 252,498 | |
| 15,183 | 926 | 14,332 | 311 | - | 174,154 | 149,892 | 750 | 643,012 | |
| 7,800 | - | - | - | - | - | - | - | 51,807 | |
| - | - | - | - | - | - | - | - | 33,569 | |
| - | - | - | - | - | - | - | - | 19,933 | |
| - | - | 14,332 | - | - | - | - | - | 61,921 | |
| - | - | - | - | - | - | - | - | 46,923 | |
| - | - | - | - | - | - | 150,448 | - | 150,448 | |
| - | - | - | - | - | 49,305 | - | - | 49,305 | |
| 7,800 | - | 14,332 | - | - | 49,305 | 150,448 | - | 413,906 | |
| 7,383 | 926 | - | 311 | - | 124,849 | (556) | 750 | 229,106 | |
| 276 | - | - | 10,000 | 25,000 | - | - | - | 35,276 | |
| - | - | - | - | - | - | - | - | (10,000) | |
| 276 | - | - | 10,000 | 25,000 | - | - | - | 276 | |
| 7,659 | 926 | - | 10,311 | 25,000 | 124,849 | (556) | 750 | 229,382 | |
| 28,794 | 824 | 196 | 72,107 | - | - | 41,769 | 51,960 | 461,228 | |
| 36,453 | 1,750 | 196 | 82,418 | 25,000 | 124,849 | 41,213 | 52,710 | 690,610 | |
| - | - | - | - | - | - | - | 52,710 | 52,710 | |
| - | - | - | - | - | - | - | - | - | |
| 36,453 | - | - | 82,418 | - | - | - | - | 118,871 | |
| - | - | - | - | - | - | 41,213 | - | 41,213 | |
| - | 1,750 | 196 | - | 25,000 | 124,849 | - | - | 502,816 | |
| - | - | - | - | - | - | - | - | - | |
| 36,453 | 1,750 | 196 | 82,418 | 25,000 | 124,849 | 41,213 | 52,710 | 715,610 | |

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

As of and for the year ended June 30, 2014

| | <u>Enterprise Funds</u> | |
|--|-------------------------|----------------|
| | <u>Solid</u> | |
| | <u>Waste</u> | <u>Total</u> |
| Operating receipts: | | |
| Charges for service | \$ 124,344 | 124,344 |
| Total operating receipts | <u>124,344</u> | <u>124,344</u> |
| Operating disbursements: | | |
| Business type activities | 97,937 | 97,937 |
| Total operating disbursements | <u>97,937</u> | <u>97,937</u> |
| Excess of operating receipts over operating disbursements | <u>26,407</u> | <u>26,407</u> |
| Non-operating receipts (disbursements): | | |
| Interest on investments | 1,290 | 1,290 |
| Net non-operating receipts (disbursements) | <u>1,290</u> | <u>1,290</u> |
| Excess of receipts over disbursements | <u>27,697</u> | <u>27,697</u> |
| Operating transfers in | <u>-</u> | <u>-</u> |
| Cash balances beginning of year | <u>304,506</u> | <u>304,506</u> |
| Cash balances end of year | <u>\$ 332,203</u> | <u>332,203</u> |
| Cash Basis Fund Balances | | |
| Unrestricted | <u>332,203</u> | <u>332,203</u> |
| Total cash basis fund balances | <u>\$ 332,203</u> | <u>332,203</u> |

See accompanying independent auditor's report.

City of Guthrie Center, Iowa

Schedule of Indebtedness

Year ended June 30, 2014

| <u>Obligation</u> | <u>Date of Issue</u> | <u>Interest Rates</u> | <u>Amount Originally Issued</u> |
|---------------------------|----------------------|-----------------------|---------------------------------|
| General obligation notes: | | | |
| Water Improvement | Jun 28, 2011 | 0.85 - 2.10% | \$ 670,000 |
| GO Corporate Purpose | Jun 13, 2012 | 1.00 - 2.00% | \$ 820,000 |
| 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> |
|--|-----------------------------------|-------------------------------------|------------------------------------|--------------------------|--|
| 430,000 | - | 105,000 | 325,000 | 7,018 | - |
| 805,000 | - | 25,000 | 780,000 | 12,330 | - |
| <u>\$ 1,235,000</u> | <u>-</u> | <u>130,000</u> | <u>1,105,000</u> | <u>19,348</u> | <u>-</u> |

Note Maturities

Year ended June 30, 2014

| Year Ending June 30, | General Obligation Notes | | | | | | Total |
|----------------------------|--------------------------|-------------------|--------------|----------------------|--|------------------|-------|
| | Water Improvement | | | Corporate Purpose | | | |
| | Issued June 28, 2011 | | | Issued June 13, 2012 | | | |
| | Interest | | | Interest | | | |
| | <u>Rates</u> | <u>Amount</u> | <u>Rates</u> | <u>Amount</u> | | | |
| 2015 | 1.50 % | \$ 105,000 | 1.00 % | \$ 25,000 | | 130,000 | |
| 2016 | 1.75 | 110,000 | 1.00 | 25,000 | | 135,000 | |
| 2017 | 2.10 | 110,000 | 1.00 | 25,000 | | 135,000 | |
| 2018 | | - | 1.20 | 135,000 | | 135,000 | |
| 2019 | | - | 1.40 | 140,000 | | 140,000 | |
| 2020 | | - | 1.60 | 140,000 | | 140,000 | |
| 2021 | | - | 1.80 | 145,000 | | 145,000 | |
| 2022 | | - | 2.00 | 145,000 | | 145,000 | |
| Total | | <u>\$ 325,000</u> | | <u>\$ 780,000</u> | | <u>1,105,000</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 Ten Years

| | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|------------------------------------|---------------------|------------------|------------------|------------------|
| Receipts: | | | | |
| Property tax | \$ 557,217 | 515,065 | 549,494 | 485,525 |
| Tax increment financing | 14,332 | 15,587 | 16,131 | 28,329 |
| Other city tax | 152,093 | 167,058 | 160,553 | 170,453 |
| Licenses and permits | 4,291 | 3,598 | 4,142 | 3,340 |
| Use of money and property | 39,415 | 40,460 | 47,517 | 47,591 |
| Intergovernmental | 462,734 | 193,185 | 679,098 | 575,865 |
| Charges for service | 78,426 | 123,009 | 95,797 | 114,713 |
| Miscellaneous | 253,830 | 128,841 | 90,905 | 109,887 |
| | <u>\$ 1,562,338</u> | <u>1,186,803</u> | <u>1,643,637</u> | <u>1,535,703</u> |
| Total | | | | |
| Disbursements: | | | | |
| Operating | | | | |
| Public safety | \$ 231,230 | 380,808 | 273,230 | 242,289 |
| Public works | 315,825 | 270,706 | 391,299 | 135,751 |
| Health and social services | - | - | - | - |
| Culture and recreation | 188,002 | 187,007 | 197,984 | 181,558 |
| Community and economic development | 333,313 | 140,375 | 569,944 | 389,569 |
| General government | 161,293 | 144,615 | 104,140 | 118,119 |
| Debt service | 150,448 | 141,074 | 143,566 | 278,060 |
| Capital projects | 49,305 | 709,151 | - | - |
| | <u>\$ 1,429,416</u> | <u>1,973,736</u> | <u>1,680,163</u> | <u>1,345,346</u> |
| Total | | | | |

See accompanying independent auditor's report.

Schedule 5

| <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| 466,440 | 481,185 | 497,426 | 434,181 | 534,965 | 544,977 |
| 26,831 | 25,988 | 38,264 | 47,443 | 47,344 | 46,792 |
| 198,282 | 188,762 | 207,459 | 234,196 | 201,501 | 157,241 |
| 3,763 | 3,673 | 4,374 | 2,758 | 4,336 | 3,803 |
| 57,374 | 83,047 | 73,111 | 53,765 | 58,366 | 36,921 |
| 197,294 | 222,492 | 240,792 | 391,951 | 286,462 | 237,540 |
| 120,555 | 151,017 | 124,266 | 111,008 | 88,494 | 78,904 |
| 3,383 | 8,724 | 35,117 | 56,384 | 368,926 | 2,311 |
| <u>1,073,922</u> | <u>1,164,888</u> | <u>1,220,809</u> | <u>1,331,686</u> | <u>1,590,394</u> | <u>1,108,489</u> |
| 252,356 | 232,638 | 259,661 | 203,740 | 201,319 | 201,961 |
| 228,045 | 333,580 | 128,284 | 222,028 | 131,015 | 156,335 |
| - | 3,700 | - | - | - | - |
| 184,278 | 181,636 | 179,826 | 184,573 | 208,211 | 159,762 |
| 53,396 | 33,792 | 87,971 | 311,864 | 65,297 | 30,858 |
| 95,507 | 119,969 | 86,240 | 83,583 | 106,096 | 109,513 |
| 127,980 | 133,345 | 154,715 | 155,300 | 267,050 | 218,271 |
| - | - | 32,000 | 3,487 | 952,625 | 144,267 |
| <u>941,562</u> | <u>1,038,660</u> | <u>928,697</u> | <u>1,164,575</u> | <u>1,931,613</u> | <u>1,020,967</u> |

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 Government Auditing Standards, issued by the Comptroller General of the United States, the 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, 2014, and the related notes to the financial statements, which, along with the discretely presented component unit, collectively comprise the City's basic financial statements, and have issued our report thereon dated April 29, 2015. Our report expressed unmodified 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 Guthrie Center'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 our opinion on the effectiveness of the City of Guthrie Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Guthrie Center's internal control.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control described in the accompanying Schedule of Findings as item I-A-14 that we consider 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, 2014 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.

City of Guthrie Center's Response to Findings

The City of Guthrie Center's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Guthrie Center'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 the 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. That 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 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

April 29, 2015

City of Guthrie Center, Iowa

Schedule of Findings

Year ended June 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

- I-A-14 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.

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.

City of Guthrie Center, Iowa

Schedule of Findings

Year ended June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - Disbursements during the year ended June 30, 2014 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 – We will amend the budget in sufficient amounts in the future, if applicable.

Conclusion – Response accepted.

II-B-14 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-14 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Guthrie Center, Iowa

Schedule of Findings

Year ended June 30, 2014

II-D-14 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 | \$ 6,771 |
| Carolyn Masters, Council Member, Self-Employed | Library Cleaning | 420 |
| Doug Kent, Fire Chief Owner of Doug's Plumbing & Heating New Heater | | <u>2,988</u> |
| Total | | <u>\$ 10,179</u> |

In accordance with Chapter 362.5(6) of the Code of Iowa, the transaction with the owner of the newspaper does not appear to represent a conflict of interest since the Guthrie Center Times is the only local newspaper and has been designated as the City's official newspaper. In accordance with Chapter 362.5(3) the transaction with the council member does not appear to represent a conflict of interest as the total amount was less than \$2,500. The transaction with the Fire Chief does not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

II-E-14 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-14 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

City of Guthrie Center, Iowa

Schedule of Findings

Year ended June 30, 2014

- II-G-14 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-14 Urban Renewal Annual Report – The urban renewal annual report was approved and certified to the Iowa Department of Management on or before December 1.