

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, 2015

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City of Gowrie, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dave Stokesbary	Mayor	Jan 2016
Jeff Petersen	Mayor Pro Tem	Jan 2018
Joe Harrison	Council Member	Jan 2016
Gayle Redman	Council Member	Jan 2016
Corinne Jackson	Council Member	Jan 2018
Sam Adams	Council Member	(Resigned) Jan 2018
Terry Willardson	Council Member	(Appointed) Jan 2018
Shelley Segebart	Clerk	Resigned
Danielle Clancy	Clerk	Indefinite
Kevin Black	Treasurer	Indefinite
Mark Crimmins	Attorney	Indefinite

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

Certified Public Accountants

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Fort Dodge, IA 50501-7098
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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, 2015, and the related Notes to 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, 2014.

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 2014, 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, each major fund and the aggregate remaining fund information of the City of Gowrie as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the aggregate discretely presented component unit of the City of Gowrie as of June 30, 2015, and the respective changes in 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.

Emphasis of a Matter

As disclosed in Note 4 to the financial statements, the City of Gowrie adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. 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, 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, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of the City Contributions on page 5 through 9 and pages 28 through 33 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 March 29, 2016 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

March 29, 2016

Basic Financial Statements

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, 2015. We encourage readers are 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.

2015 FINANCIAL HIGHLIGHTS

- * Receipts of the City's governmental activities totaled \$1,241,787.
- * Disbursements of the City's governmental activities totaled \$ 1,242,615.
- * The City's total cash basis net position decreased 0.1%, or \$828, from June 30, 2014 to June 30, 2015. 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 and the City's proportionate share of the net pension liability and related contributions.

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 Cash Basis 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 decreased slightly from a year ago, decreasing from \$1,066,147 to \$1,065,319. The analysis that follows focuses on the changes in cash basis net position of governmental activities for the year ended June 30, 2015.

Changes in Cash Basis Net Position of Governmental Activities

Receipts:	
Program receipts:	
Charges for service	\$ 247,309
Operating grants, contributions and restricted interest	196,085
Capital grants, contributions and restricted interest	145,314
General receipts:	
Property tax	413,368
Local option sales tax	166,998
Unrestricted interest on investments	4,167
Other general receipts	<u>68,546</u>
Total receipts	<u>1,241,787</u>
Disbursements:	
Public safety	133,984
Public works	201,549
Health and social services	79,614
Culture and recreation	352,156
Community and economic development	141,795
General government	94,555
Debt service	172,515
Capital projects	<u>66,447</u>
Total disbursements	<u>1,242,615</u>
Decrease in cash basis net position	(828)
Cash basis net position beginning of year	<u>1,066,147</u>
Cash basis net position end of year	<u>\$ 1,065,319</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Gowrie completed the year, its governmental funds reported a combined fund balance of \$1,065,319, a decrease of less than \$1,000 below last year's total of \$1,066,147. 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 \$38,384 from the prior year to \$555,667. This was due primarily to an increase in expenses.

* The Special Revenue, Local Option Sales Tax Fund cash balance increased \$55,303 to \$302,846. This is part due to an increase in revenues of approximately \$18,000. Disbursements were similar to last year.

* The Special Revenue, Housing Rehabilitation Fund cash balance increased \$7,269 to \$0. This fund accounts for grant proceeds and disbursements for improvements to residential housing and should just be in and out each year.

* The Debt Service Fund cash balance increased \$396 to \$43,197. Receipts and disbursements did not vary significantly from the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City did not amend its budget.

The City's receipts were \$438,713 more than budgeted. This was primarily due to the City receiving more in other city taxes, intergovernmental and miscellaneous receipts than anticipated.

Total disbursements were \$439,541 more than the amended budgeted. The City exceeded the amounts budgeted in the public safety, public works, health and social services, culture and recreation, community and economic development, debt service, and capital projects functions.

DEBT ADMINISTRATION

At June 30, 2015, the City had \$1,405,000 of bonds outstanding, as shown below.

General obligation bonds	\$ 1,050,000
Revenue bonds	<u>355,000</u>
Total	<u>\$ 1,405,000</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 2016-2017, the City Council officials considered many factors in making decisions and estimates about the finances of the upcoming year. Improvements are to be made in all city parks, Police Department with upgraded equipment, and possible building changes due to new Fire Department building.

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 Danielle Clancy, City Clerk, 1206 Market Street, Gowrie, Iowa 50543.

City of Gowrie, Iowa
Statement of Activities and Net Position - Cash Basis
As of and for the year ended June 30, 2015

		Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 133,984	2,093	48	-
Public works	201,549	4,583	98,712	-
Health and social services	79,614	22,975	54,848	-
Culture and recreation	352,156	215,287	32,757	-
Community and economic development	141,795	-	-	145,314
General government	94,555	2,371	9,720	-
Debt service	172,515	-	-	-
Capital projects	<u>66,447</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>1,242,615</u>	<u>247,309</u>	<u>196,085</u>	<u>145,314</u>
Component Unit:				
Utilities	<u>\$ 1,531,086</u>	<u>1,315,977</u>	<u>-</u>	<u>-</u>

General Receipts:

 Property and other city tax levied for:

 General purposes

 Debt service

 Local option sales tax

 Unrestricted interest on investments

 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

Cash Basis Net Position

 Restricted:

 Expendable:

 Debt service

 Streets

 Other purposes

 Unrestricted

Total cash basis net position

See notes to financial statements.

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

Governmental Activities	Component <u>Unit</u> <u>Utilities</u>
(131,843)	-
(98,254)	-
(1,791)	-
(104,112)	-
3,519	-
(82,464)	-
(172,515)	-
<u>(66,447)</u>	<u>-</u>
<u>(653,907)</u>	<u>-</u>
-	<u>(215,109)</u>
286,951	-
126,417	-
166,998	-
4,167	2,734
<u>68,546</u>	<u>104,549</u>
<u>653,079</u>	<u>107,283</u>
(828)	(107,826)
<u>1,066,147</u>	<u>908,285</u>
<u>\$ 1,065,319</u>	<u>800,459</u>

43,197
447,197
19,258
555,667
\$ 1,065,319

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, 2015

	General	Special Revenue		Debt Service
		Local Option Sale Tax	Housing Rehabilitation	
Receipts:				
Property tax	\$ 254,575	-	-	126,417
Other city tax	-	166,998	-	-
Licenses and permits	2,093	-	-	-
Use of money and property	22,633	967	-	308
Intergovernmental	19,761	-	145,314	-
Charges for service	86,334	-	-	-
Special assessments	1,463	-	-	-
Miscellaneous	202,098	-	3,750	-
Total receipts	<u>588,957</u>	<u>167,965</u>	<u>149,064</u>	<u>126,725</u>
Disbursements:				
Operating:				
Public safety	119,637	-	-	-
Public works	65,968	-	-	-
Health and social services	-	-	-	-
Culture and recreation	346,568	-	-	-
Community and economic development	-	-	141,795	-
General government	90,192	-	-	-
Debt service	-	-	-	172,515
Capital projects	-	66,447	-	-
Total disbursements	<u>622,365</u>	<u>66,447</u>	<u>141,795</u>	<u>172,515</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(33,408)</u>	<u>101,518</u>	<u>7,269</u>	<u>(45,790)</u>
Other financing sources (uses):				
Operating transfers in	30	-	-	46,215
Operating transfers out	(5,006)	(46,215)	-	(29)
Total other financing sources (uses)	<u>(4,976)</u>	<u>(46,215)</u>	<u>-</u>	<u>46,186</u>
Change in cash balances	(38,384)	55,303	7,269	396
Cash balances beginning of year	<u>594,051</u>	<u>247,543</u>	<u>(7,269)</u>	<u>42,801</u>
Cash balances end of year	<u>\$ 555,667</u>	<u>302,846</u>	<u>-</u>	<u>43,197</u>
Cash Basis Fund Balances				
Restricted for:				
Debt service	-	-	-	43,197
Streets	-	302,846	-	-
Other purposes	-	-	-	-
Unassigned	<u>555,667</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 555,667</u>	<u>302,846</u>	<u>-</u>	<u>43,197</u>

See notes to financial statements.

Exhibit B

Nonmajor Governmental Funds	Total
32,376	413,368
-	166,998
-	2,093
166	24,074
98,712	263,787
22,975	109,309
-	1,463
<u>54,847</u>	<u>260,695</u>
<u>209,076</u>	<u>1,241,787</u>
14,347	133,984
135,581	201,549
79,614	79,614
5,588	352,156
-	141,795
4,363	94,555
-	172,515
<u>-</u>	<u>66,447</u>
<u>239,493</u>	<u>1,242,615</u>
<u>(30,417)</u>	<u>(828)</u>
5,006	51,251
<u>(1)</u>	<u>(51,251)</u>
<u>5,005</u>	<u>-</u>
(25,412)	(828)
<u>189,021</u>	<u>1,066,147</u>
<u>163,609</u>	<u>1,065,319</u>
-	43,197
144,351	447,197
19,258	19,258
-	555,667
<u>163,609</u>	<u>1,065,319</u>

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

As of and for the year ended June 30, 2015

	<u>Larson Trust Fund</u>
Additions:	
Interest	\$ <u>1,696</u>
Total additions	<u>1,696</u>
Deductions:	
Scholarships	848
Library	<u>848</u>
Total deductions	<u>1,696</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, 2015

(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, 2015

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 does 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 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. Enabling legislation did not result in any restricted net position.

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

City of Gowrie, Iowa

Notes to Financial Statements

June 30, 2015

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 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.

Special Revenue:

The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and used for capital improvements, equipment and community programs and services

Housing Rehabilitation Fund accounts for the proceeds of federal grants restricted for improvements to personal residences for low and middle income individuals.

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.

City of Gowrie, Iowa

Notes to Financial Statements

June 30, 2015

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 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.

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 through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

City of Gowrie, Iowa

Notes to Financial Statements

June 30, 2015

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the public safety, public works, health and social services, culture and recreation, community and economic development, debt service and capital projects functions.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2015 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.

At and during the year ended June 30, 2015, the City invested its excess funds in savings and certificates of deposit.

City of Gowrie, Iowa

Notes to Financial Statements

June 30, 2015

(3) Bonds Payable

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

Year Ending June 30,	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
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	100,000	17,200	45,000	4,365
2020	105,000	15,200	45,000	3,780
2021-2025	545,000	40,975	135,000	5,670
Total	\$1,050,000	136,975	355,000	30,175

Year Ending June 30,	Total	
	Principal	Interest
2016	140,000	29,075
2017	145,000	26,735
2018	145,000	24,150
2019	145,000	21,565
2020	150,000	18,980
2021-2025	680,000	46,645
Total	\$ 1,405,000	167,150

City of Gowrie, Iowa

Notes to Financial Statements

June 30, 2015

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 27 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$385,175. For the current year, principal and interest paid and total local option sales tax revenues were \$46,215 and \$141,602, respectively.

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

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to plan documents for more information.

City of Gowrie, Iowa

Notes to Financial Statements

June 30, 2015

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early- retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formulas used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of the date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is .025 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012 the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

City of Gowrie, Iowa

Notes to Financial Statements

June 30, 2015

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Protective occupation members contributed 6.76 percent pay and the City contributed 10.14 percent for a total rate of 16.80 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$15,617.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - at June 30, 2015, the City's liability for its proportionate share collective net pension liability totaled \$ 49,381. The collective net pension liability was measured as of June 30, 2014, and total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net position liability was based on the City's share of contributions to the pension plan relative to the contribution of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.001245 percent, which was a decrease of 0.000412 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$6,406, \$3,512 and \$39,916 respectively.

Actuarial Assumptions – The total pension liability in June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

City of Gowrie, Iowa

Notes to Financial Statements

June 30, 2015

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.5 percent, compounded annually, net investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Us Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

City of Gowrie, Iowa

Notes to Financial Statements

June 30, 2015

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net position liability calculated using discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
City's proportionate share of the net pension liability	\$ 135,917	\$ 49,381	\$ (23,621)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) 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, 2015, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 6,509

City of Gowrie, Iowa

Notes to Financial Statements

June 30, 2015

This liability has been computed based on rates of pay in effect at June 30, 2015.

(6) Related Party Transactions

The City had business transactions between the City and City officials totaling \$13,868 during the year ended June 30, 2015.

(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.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue: Road Use	\$ 1
	Debt Service	29
Special Revenue: Congregate Meals	General	5,006
Debt Service	Special Revenue: Local Option Sales Tax	<u>46,215</u>
Total		<u>\$ 51,251</u>

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

City of Gowrie, Iowa

Notes to Financial Statements

June 30, 2015

(9) Subsequent Events

The City has evaluated subsequent events through March 29, 2016, the date the financial statements were available to be issued.

(10) 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, 2015 was \$717. Future rentals are scheduled as follows:

Year Ending <u>June 30,</u>	
2016	\$ 717
2017	717
2018	<u>119</u>
Total	\$ <u>1,553</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. The amount paid for the fiscal year ended June 30, 2015 was \$18,176.

Other Information

City of Gowrie, 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, 2015

	Governmental Funds	Budgeted Amounts		Final to Net Variance
		Actual	Original	
Receipts:				
Property tax	\$ 413,368	408,264	408,264	5,104
Other city tax	166,998	77,745	77,745	89,253
Licenses and permits	2,093	1,050	1,050	1,043
Use of money and property	24,074	2,650	2,650	21,424
Intergovernmental	263,787	113,968	113,968	149,819
Charges for service	109,309	97,934	97,934	11,375
Special assessments	1,463	-	-	1,463
Miscellaneous	260,695	101,463	101,463	159,232
Total receipts	<u>1,241,787</u>	<u>803,074</u>	<u>803,074</u>	<u>438,713</u>
Disbursements:				
Public safety	133,984	125,759	125,759	(8,225)
Public works	201,549	159,449	159,449	(42,100)
Health and social services	79,614	52,627	52,627	(26,987)
Culture and recreation	352,156	186,220	186,220	(165,936)
Community and economic development	141,795	-	-	(141,795)
General government	94,555	110,211	110,211	15,656
Debt service	172,515	168,808	168,808	(3,707)
Capital projects	66,447	-	-	(66,447)
Total disbursements	<u>1,242,615</u>	<u>803,074</u>	<u>803,074</u>	<u>(439,541)</u>
Deficiency of receipts under disbursements	(828)	-	-	(828)
Balances beginning of year	<u>1,066,147</u>	<u>3,387,310</u>	<u>3,387,310</u>	<u>(2,321,163)</u>
Balances end of year	<u>\$ 1,065,319</u>	<u>3,387,310</u>	<u>3,387,310</u>	<u>(2,321,991)</u>

See accompanying independent auditor's report.

City of Gowrie, Iowa

Notes to Other Information – Budgetary Reporting

June 30, 2015

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, 2015, disbursements exceeded the amounts budgeted in the public safety, public works, health and social services, culture and recreation, community and economic development, debt service and capital projects.

City of Gowrie, Iowa

Schedule of City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System

Last Fiscal Year*

(In Thousands)

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.001245%
City's proportionate share of the net pension liability	\$ 49
City's covered-employee payroll	\$ 226
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	21.68%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Gowrie, Iowa
Schedule of City's Contributions

Iowa Public Employees' Retirement System
Last three Fiscal Years
(In Thousands)

Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 16	16	17
Contributions in relation to the statutorily required contribution	<u>(16)</u>	<u>(16)</u>	<u>(17)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 293	226	189
Contributions as a percentage of covered-employee payroll	5.46%	7.08%	8.99%

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Gowrie, Iowa

Notes to Other Information – Pension Liability

June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between ages 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

City of Gowrie, Iowa

Notes to Other Information – Pension Liability

June 30, 2015

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date if the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Supplementary Information

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

As of and for the year ended June 30, 2015

	Special Revenue			Total
	Road Use	Trust & Agency	Congregate Meals	
Receipts:				
Property tax	-	32,376	-	32,376
Use of money and property	-	166	-	166
Intergovernmental	98,712	-	-	98,712
Charges for service	-	-	22,975	22,975
Miscellaneous	-	-	54,847	54,847
Total receipts	<u>98,712</u>	<u>32,542</u>	<u>77,822</u>	<u>209,076</u>
Disbursements:				
Operating:				
Public safety	-	14,347	-	14,347
Public works	123,760	11,821	-	135,581
Health and social services	-	-	79,614	79,614
Culture and recreation	-	5,588	-	5,588
General government	-	4,363	-	4,363
Total disbursements	<u>123,760</u>	<u>36,119</u>	<u>79,614</u>	<u>239,493</u>
Deficiency of receipts under disbursements	<u>(25,048)</u>	<u>(3,577)</u>	<u>(1,792)</u>	<u>(30,417)</u>
Other financing sources (uses):				
Operating transfers in	-	-	5,006	5,006
Operating transfers (out)	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(1)</u>
Total other financing sources (uses)	<u>(1)</u>	<u>-</u>	<u>5,006</u>	<u>5,005</u>
Change in cash balances	(25,049)	(3,577)	3,214	(25,412)
Cash balances beginning of year	<u>169,400</u>	<u>19,597</u>	<u>24</u>	<u>189,021</u>
Cash balances end of year	<u>144,351</u>	<u>16,020</u>	<u>3,238</u>	<u>163,609</u>
Cash Basis Fund Balances				
Restricted for:				
Streets	144,351	-	-	144,351
Other purposes	<u>-</u>	<u>16,020</u>	<u>3,238</u>	<u>19,258</u>
Total cash basis fund balances	<u>144,351</u>	<u>16,020</u>	<u>3,238</u>	<u>163,609</u>

See accompanying independent auditor's report.

City of Gowrie, Iowa
 Schedule of Indebtedness
 Year ended June 30, 2015

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds:			
Corporate purpose and refunding bonds	Dec 28,2012	2.00-2.50 %	\$ 1,350,000
Revenue bonds:			
Local option sales tax	Dec 28,2012	0.85-2.10 %	\$ 435,000

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>
<u>1,150,000</u>	<u>-</u>	<u>100,000</u>	<u>1,050,000</u>	<u>25,200</u>	<u>-</u>
<u>395,000</u>	<u>-</u>	<u>40,000</u>	<u>355,000</u>	<u>6,215</u>	<u>-</u>

Bond and Note Maturities

June 30, 2015

Year Ending <u>June 30,</u>	<u>General Obligation</u>		<u>Revenue Bonds</u>	
	<u>Corporate Purpose</u>		<u>Local Option Sales Tax</u>	
	<u>and Refunding</u>		<u>Issued December 28, 2012</u>	
	<u>Issued December 28, 2012</u>		<u>Issued December 28, 2012</u>	
	Interest		Interest	
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
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>\$ 1,050,000</u>		<u>\$ 355,000</u>

See accompanying independent auditor's report.

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

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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 Gowrie, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 29, 2016. Our report expressed qualified 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 were not identified. However, as described in the accompanying Schedule of Findings, we identified 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 deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-15 to be a material weakness.

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 item I-B-15, I-C-15, and I-D-15 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, 2015 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

March 29, 2016

City of Gowrie, Iowa

Schedule of Findings

Year ended June 30, 2015

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-15 Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent loss from employee error or dishonesty and therefore maximizes the accuracy of the City's financial statements. We noted that one employee handles all of the financial duties, which does not allow for segregation of duties.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. Therefore, we recommend the Council maintain its diligence in the review of the financial records.

Response - We feel our duties are segregated to the greatest extent possible. The Council will continue their review.

Conclusion - Response accepted.

I-B-15 Preparation of Financial Statements, Including Disclosures to 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 Gowrie 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 with those charged with governance.

City of Gowrie, Iowa

Schedule of Findings

Year ended June 30, 2015

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

Recommendation – We realize that obtaining the expertise 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 necessary 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.

I-C-15 Disbursements Approval – For one disbursement tested, there was no evidence of Council approval and one invoice was approved after it was paid. For four disbursements the invoice could not be located. Also two 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.

I-D-15 Payroll – It was noted during our audit that one employee received a pay raise that was more than had been approved by the council for fiscal year ended June 30, 2015.

Recommendation – At the first payroll after the council has approved a pay increase, the pay rates should be reviewed by two people to help insure rate changes are adjusted properly.

City of Gowrie, Iowa

Schedule of Findings

Year ended June 30, 2015

Response – There was an error in the spreadsheet used to figure the amount of different pay increases that were being considered. We will review this spreadsheet in the future for the rates are figured correctly.

Conclusion – Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public safety, public works, health and social services, culture and recreation, community and economic development, debt service and capital projects. 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 accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

II-B-15 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-15 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-15 Business Transactions – Business transactions between the City and City officials are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jeff Petersen, Council Member, Owner of Jamboree Foods	Supplies	\$ 13,868

City of Gowrie, Iowa

Schedule of Findings

Year ended June 30, 2015

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the transactions with the Council Member does appear to represent a conflict of interest since total transactions with the individual were more than \$2,500 during the fiscal year.

Recommendation – City officials should review their procedures to insure they are in compliance with the Code of Iowa.

Response – Most of these purchases are for supplies to operate the clubhouse at the golf course and we want to purchases as much of the supplies needed locally, if possible.

Conclusion – Response accepted.

II-E-15 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 the coverage is adequate for current operations.

II-F-15 Council Minutes – As previously noted, one disbursement requiring Council approval had not been approved by the Council and one other was paid before approved.

Although minutes of City Council proceedings were published, not all of the months reviewed were published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. Also a summary of all receipts was not published.

Per Chapter 380.7 of the Code of Iowa all minutes are to be properly signed. The City Clerk had not signed the minutes during the year.

Recommendation – The City should properly approve all disbursements and comply with the Code of Iowa and publish minutes, including a summary of all receipts as required. The minutes should also be properly signed

Response – We will review procedures to ensure all disbursements are properly approved. The minutes were only published one day late and we will watch closer to make sure they are published within 15 days in the future. We have corrected the issued with publishing a summary of receipts and signing of minutes.

Conclusion – Response accepted.

City of Gowrie, Iowa

Schedule of Findings

Year ended June 30, 2015

II-G-15 Deposits and Investments – The City has a written investment policy established per Chapter 452 of the Code of Iowa and should be established per Chapter 12B.10B of the Code of Iowa. In addition, the City could not find approval of a depository resolution naming depositories or maximum amounts as required by Chapter 12C.

Recommendation – The City should adopt a written investment policy that complies with provisions of Chapter 12B.10B of the Code of Iowa. The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

Response – We have approved a written investment policy in accordance with Chapter 12B.10B and approve a resolution to comply with Chapter 21C.2 of the Code of Iowa at our February 2016 meeting.

Conclusion – Response accepted.

II-H-15 Revenue Bonds – No instances of non-compliance with the revenue bond resolution resolutions were noted.

II-I-15 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.