



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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**NEWS RELEASE**

FOR RELEASE

January 19, 2006

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515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Guttenberg, Iowa.

The City has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole. Also included is Management's Discussion and Analysis of the City's financial statements.

The City's receipts totaled \$9,300,149 for the year ended June 30, 2004. The receipts included \$718,629 in property tax, \$492,042 from operating grants, contributions and restricted interest, \$6,513 from tax increment financing, \$7,800,143 from charges for service, \$123,309 from local option sales tax, \$20,340 from unrestricted interest on investments and \$139,167 from other general receipts.

Disbursements for the year totaled \$9,064,479, and included \$576,749 for public safety, \$411,104 for culture and recreation and \$336,019 for community and economic development. Also, disbursements for business type activities totaled \$7,070,464.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.

# # #

**CITY OF GUTTENBERG**

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

**JUNE 30, 2004**

## Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	14-15
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16-17
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	19
Notes to Financial Statements		20-28
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		30-31
Notes to Required Supplementary Information – Budgetary Reporting		32
Other Supplementary Information:	<u>Schedule</u>	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	34-35
Schedule of Indebtedness	2	36-37
Note Maturities	3	38-39
Independent Auditor’s Report on Compliance and on Internal Control over Financial Reporting		41-42
Schedule of Findings		43-47
Staff		48

**City of Guttenberg**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2004)</b>		
Gerald Block	Mayor	Jan 2006
Ralph Livingston	Mayor Pro tem	Jan 2004
William Wolfe	Council Member	Jan 2004
Steve Dikkers	Council Member	Jan 2006
David Schlueter	Council Member	Jan 2006
William Walke	Council Member	Jan 2006
<b>(After January 2004)</b>		
Gerald Block	Mayor	Jan 2006
David Schlueter	Mayor Pro tem	Jan 2006
Steve Dikkers	Council Member	Jan 2006
William Walke	Council Member	Jan 2006
William Wolfe	Council Member	Jan 2008
James Solomon	Council Member	Jan 2008
Thomas J. Blake	City Manager/Clerk	Indefinite
Michael Schuster	Attorney	Indefinite
Julie Zittergruen	Deputy City Clerk	
Debra Uhl	Payroll Clerk	
Carol Hartmann	Utility Clerk	
Timothy Schmitt	Park/Recreation Director	

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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Guttenberg, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Guttenberg's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Guttenberg Municipal Hospital. Those financial statements were audited by other independent auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Guttenberg Municipal Hospital, is based solely upon the report of the independent auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the report of other auditors provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, 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, 2003.

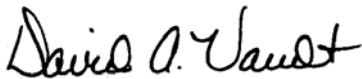
In our opinion, based on our audit and the report of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2003, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Guttenberg as of June 30, 2004, 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.

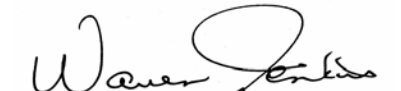
As described in Note 12, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated June 29, 2005 on our consideration of the City of Guttenberg's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 30 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Guttenberg's basic financial statements. Other 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. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, 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, 2003, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

June 29, 2005

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The City of Guttenberg 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, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, and since the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

### **2004 FINANCIAL HIGHLIGHTS**

- The cash basis net assets for the City's governmental funds increased primarily due to the sale of land for \$96,000.
- The cash basis net assets for the City's business type activities increased primarily due to the increase in the Hospital's operating receipts. The Hospital was certified as a Critical Access Hospital on February 1, 2001. Critical Access Hospitals are cost-reimbursed by Medicare, and this type of reimbursement significantly increases the Hospital's operating revenues.

### **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 Statement of Activities and Net Assets. 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 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.

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.



## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

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

### *Government-wide Financial Statement*

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

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

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, 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.
- Business Type Activities include the hospital, the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds 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 Revolving Loan and Urban Renewal Tax Increment, and 3) 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 is a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the hospital, water, sewer and electric funds, considered to be major funds of the City.

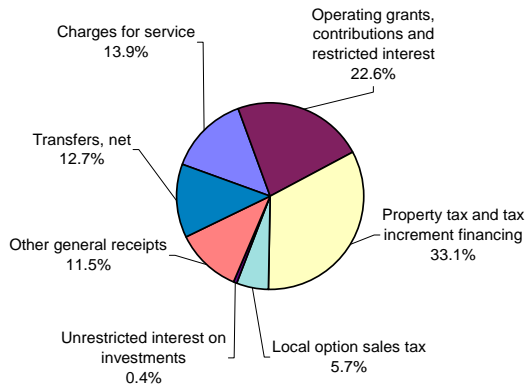
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

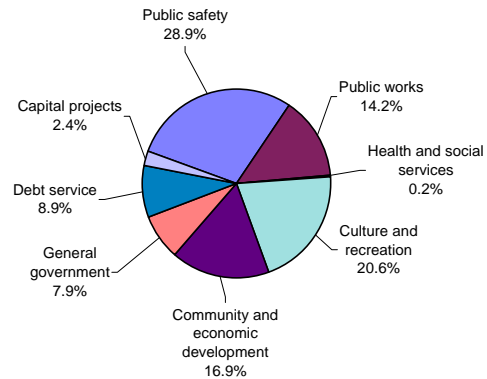
The City's cash balance for governmental activities increased from a year ago, increasing from \$775,050 to \$842,589. The analysis that follows focuses on the changes in cash balances for governmental activities.

<u>Changes in Cash Basis Net Assets of Governmental Activities</u>	
	<u>Year ended June 30, 2004</u>
Receipts and transfers:	
Program receipts:	
Charges for service	\$ 303,638
Operating grants, contributions and restricted interest	492,042
General receipts:	
Property tax and tax increment financing	725,142
Local option sales tax	123,309
Unrestricted interest on investments	9,575
Other general receipts	251,288
Transfers, net	276,884
Total receipts and transfers	<u>2,181,878</u>
Disbursements:	
Public safety	576,749
Public works	282,459
Health and social services	3,749
Culture and recreation	411,104
Community and economic development	336,019
General government	157,905
Debt service	178,379
Capital projects	47,651
Total disbursements	<u>1,994,015</u>
Increase in cash basis net assets	187,863
Cash basis net assets beginning of year	<u>775,050</u>
Cash basis net assets end of year	<u>\$ 962,913</u>

**Receipts by Source**



**Disbursements by Function**



The cash basis net assets for the City's governmental funds increased primarily due to the sale of land for \$96,000.

Changes in Cash Basis Net Assets of Business Type Activities

	<u>Year ended June 30, 2004</u>
Receipts:	
Program receipts:	
Charges for service:	
Guttenberg Municipal Hospital	\$ 5,977,426
Water	180,299
Sewer	178,482
Electric	1,160,304
General receipts:	
Unrestricted interest on investments	10,765
Other general receipts	8,203
Total receipts	<u>7,515,479</u>
Disbursements and transfers:	
Guttenberg Municipal Hospital	5,672,175
Water	173,942
Sewer	159,794
Electric	1,064,553
Transfers	276,884
Total disbursements and transfers	<u>7,347,348</u>
Increase in cash balance	168,131
Cash basis net assets beginning of year	<u>2,756,967</u>
Cash basis net assets end of year	<u><u>\$ 2,925,098</u></u>

The cash basis net assets for the City's business type activities increased primarily due to the increase in the Hospital's operating receipts. The Hospital was certified as a critical Access Hospital on February 1, 2001. Critical Access Hospitals are cost-reimbursed by Medicare, and this type of reimbursement significantly increases the Hospital's operating revenues.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Guttenberg completed the year, its governmental funds reported a combined fund balance of \$842,589, an increase of \$67,539 above last year's total of \$775,050. 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 increased \$81,835 from the prior year to \$334,356. The increase was due to the sale of land.
- The Revolving Loan Fund cash balance increased by \$50,085 to \$174,577 during the fiscal year. This increase was attributable to the timing of loan repayments.
- The Urban Renewal Tax Increment Fund was established to account for a major urban renewal project within the City's business district. At the end of the fiscal year, the cash balance was \$(5,114), a decrease of \$7,092 from the previous year. The decrease was the result of various construction and refurbishing projects within the urban renewal district.
- The Capital Projects Fund cash balance decreased by \$25,875 to \$104,860 during the fiscal year. This decrease was due to the completion of various capital improvement projects.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Hospital Fund cash balance increased by \$305,251 to \$2,188,699. The Hospital was certified as a Critical Access Hospital on February 1, 2001. Critical Access Hospitals are cost-reimbursed by Medicare, and this type of reimbursement significantly increases the Hospital's operating revenues.
- The Water Fund cash balance decreased by \$16,483 to \$104,921 as a result of water system improvements completed during the year.
- The Sewer Fund cash balance increased by \$17,517 to \$205,474, due primarily to establishing a reserve for planned capital improvements involving treatment plant and collection system upgrades and changing the effluent discharge point.
- The Electric Fund cash balance decreased by \$138,154 to \$426,004, due primarily to funding internal loans for street projects.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget two times. The first amendment was approved on September 8, 2003 and resulted in an increase in operating disbursements related to Hospital operations. The second amendment was approved on June 8, 2004 to provide for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

## DEBT ADMINISTRATION

At June 30, 2004, the City had \$1,508,011 in notes and other long-term debt, compared to \$1,696,760 last year, as shown below.

Outstanding Debt at Year-End	
	June 30, 2004
General obligation notes	\$1,204,373
Revenue notes	260,000
Iowa Community and Rural Development loan	43,638
Total	<u>\$1,508,011</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,204,373 is significantly below its constitutional debt limit of approximately \$4,000,000.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Guttenberg's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates and fees charged for various City activities. At the time these financial statements were prepared and audited, the City was aware of the following existing circumstances that could affect its financial health in the future.

- Residential development is continuing to occur with a proposed subdivision on the north end of town and one recent and one ongoing condominium development. This is expected to help provide a stable tax base, offsetting increases in the valuation rollback imposed by the State of Iowa.
- The development of a downtown marina is expected to help keep our commercial downtown viable in the long term.
- A rate increase will be considered to help keep the water utility viable and will allow investments into system reliability.
- Elimination of the bank franchise tax and the consolidated payment reduced general receipts by approximately \$40,000.
- The Guttenberg area experienced high job losses due to two factory closings over the last three years. The economic development corporation is pursuing opportunities to fill the industrial buildings and the community is cautiously optimistic employers will be found to replace the industries locating elsewhere.

## 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 Tom Blake, City Manager, 101 Main Street, Guttenberg, Iowa 52052.

## **Basic Financial Statements**

City of Guttenberg

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2004

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions, and Restricted Interest
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 576,749	7,843	105,674
Public works	282,459	106,822	165,492
Health and social services	3,749	635	-
Culture and recreation	411,104	79,234	118,732
Community and economic development	336,019	85,188	86,567
General government	157,905	23,916	15,577
Debt service	178,379	-	-
Capital projects	47,651	-	-
Total governmental activities	1,994,015	303,638	492,042
Business type activities:			
Guttenberg Municipal Hospital	5,672,175	5,977,426	-
Water	173,942	180,299	-
Sewer	159,794	178,482	-
Electric	1,064,553	1,160,304	-
Total business type activities	7,070,464	7,496,511	-
Total	\$ 9,064,479	7,800,149	492,042

**General Receipts:**

Property tax levied for:
General purposes
Tax increment financing
Debt service
Local option sales tax
Unrestricted interest on investments
Hotel motel tax
FEMA grant
Bank franchise tax
Sale of land
Miscellaneous
Transfers
Total general receipts and transfers
Change in cash basis net assets
Cash basis net assets beginning of year, as restated
Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted:
Streets
Economic development purposes
Capital projects
Cemetery perpetual care
Debt service
Other purposes
Unrestricted

**Total cash basis net assets**

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(463,232)	-	(463,232)
(10,145)	-	(10,145)
(3,114)	-	(3,114)
(213,138)	-	(213,138)
(164,264)	-	(164,264)
(118,412)	-	(118,412)
(178,379)	-	(178,379)
(47,651)	-	(47,651)
(1,198,335)	-	(1,198,335)
-	305,251	305,251
-	6,357	6,357
-	18,688	18,688
-	95,751	95,751
-	426,047	426,047
(1,198,335)	426,047	(772,288)
648,579	-	648,579
6,513	-	6,513
70,050	-	70,050
123,309	-	123,309
9,575	10,765	20,340
14,719	-	14,719
-	7,541	7,541
13,820	-	13,820
96,000	-	96,000
6,425	662	7,087
276,884	(276,884)	-
1,265,874	(257,916)	1,007,958
67,539	168,131	235,670
775,050	2,756,967	3,532,017
\$ 842,589	2,925,098	3,767,687
\$ 68,535	-	68,535
247,558	-	247,558
104,860	-	104,860
76,974	-	76,974
-	930,844	930,844
61,815	-	61,815
282,847	1,994,254	2,277,101
\$ 842,589	2,925,098	3,767,687



City of Guttenberg

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

As of and for the year ended June 30, 2004

	Special Revenue		
	General	Revolving Loan	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 503,699	-	-
Tax increment financing	-	-	6,513
Other city tax	22,800	-	-
Licenses and permits	10,291	-	-
Use of money and property	23,356	1,551	30
Intergovernmental	97,288	-	-
Charges for service	157,248	-	-
Special assessments	-	-	-
Miscellaneous	146,997	86,567	-
Total receipts	961,679	88,118	6,543
Disbursements:			
Operating:			
Public safety	434,312	-	-
Public works	95,951	-	-
Health and social services	3,612	-	-
Culture and recreation	352,937	-	-
Community and economic development	24,727	38,033	223,124
General government	134,436	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	1,045,975	38,033	223,124
Excess (deficiency) of receipts over (under) disbursements	(84,296)	50,085	(216,581)
Other financing sources (uses):			
Sale of land	96,000	-	-
Operating transfers in	150,984	-	416,363
Operating transfers out	(80,853)	-	(206,874)
Total other financing sources (uses)	166,131	-	209,489
Net change in cash balances	81,835	50,085	(7,092)
Cash balances beginning of year	252,521	124,492	1,978
Cash balances end of year	\$ 334,356	174,577	(5,114)
<b>Cash Basis Fund Balances</b>			
Unreserved:			
General fund	\$ 334,356	-	-
Special revenue funds	-	174,577	(5,114)
Debt service fund	-	-	-
Capital projects fund	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	\$ 334,356	174,577	(5,114)

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	203,583	707,282
-	-	6,513
-	3,265	26,065
-	-	10,291
-	86,183	111,120
2,950	288,801	389,039
-	-	157,248
-	6,677	6,677
239	40,632	274,435
3,189	629,141	1,688,670
-	142,437	576,749
-	186,508	282,459
-	137	3,749
24,369	33,798	411,104
-	50,135	336,019
-	23,469	157,905
-	178,379	178,379
-	47,651	47,651
24,369	662,514	1,994,015
(21,180)	(33,373)	(305,345)
-	-	96,000
4,305	168,702	740,354
(9,000)	(166,743)	(463,470)
(4,695)	1,959	372,884
(25,875)	(31,414)	67,539
130,735	265,324	775,050
104,860	233,910	842,589
-	-	334,356
-	158,246	327,709
-	(1,310)	(1,310)
104,860	-	104,860
-	76,974	76,974
104,860	233,910	842,589

**City of Guttenberg**

City of Guttenberg

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Fund Financial Statement

As of and for the year ended June 30, 2004

	Enterprise Funds				
	Guttenberg Municipal Hospital	Water	Sewer	Electric	Total
Operating receipts:					
Charges for service	\$5,977,426	180,299	178,482	1,160,304	7,496,511
Operating disbursements:					
Business type activities	5,672,175	119,982	136,988	1,064,553	6,993,698
Excess of operating receipts over operating disbursements	305,251	60,317	41,494	95,751	502,813
Non-operating receipts (disbursements):					
Intergovernmental	-	7,541	-	-	7,541
Interest on investments	-	1,457	2,164	7,144	10,765
Miscellaneous	-	138	165	359	662
Debt service	-	(53,960)	(22,806)	-	(76,766)
Net non-operating receipts (disbursements)	-	(44,824)	(20,477)	7,503	(57,798)
Excess of receipts over disbursements	305,251	15,493	21,017	103,254	445,015
Other financing sources (uses):					
Operating transfers in	-	-	-	309,939	309,939
Operating transfers out	-	(31,976)	(3,500)	(551,347)	(586,823)
Total other financing sources (uses)	-	(31,976)	(3,500)	(241,408)	(276,884)
Net change in cash balances	305,251	(16,483)	17,517	(138,154)	168,131
Cash balances beginning of year	1,883,448	121,404	187,957	564,158	2,756,967
Cash balances end of year	\$2,188,699	104,921	205,474	426,004	2,925,098
<b>Cash Basis Fund Balances</b>					
Reserved for debt service	\$ 851,844	79,000	-	-	930,844
Unreserved	1,336,855	25,921	205,474	426,004	1,994,254
Total cash basis fund balances	\$2,188,699	104,921	205,474	426,004	2,925,098

See notes to financial statements.

City of Guttenberg

Notes to Financial Statements

June 30, 2004

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

The City of Guttenberg is a political subdivision of the State of Iowa located in Clayton County. It was first incorporated in 1851 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 hospital services, water, sewer and electric utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Guttenberg 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. The City has no component units which meet the Governmental Accounting Standards Board criteria.

The Guttenberg Municipal Hospital is considered to be part of the primary government and, therefore, the financial information for the Guttenberg Municipal Hospital is included in the City's financial statements. The financial activities of the Guttenberg Municipal Hospital are reflected in this report as an Enterprise Fund. Certain disclosures about the Guttenberg Municipal Hospital are not included because the Guttenberg Municipal Hospital has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the Guttenberg Municipal Hospital

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: Clayton County Assessor's Conference Board, Clayton County Emergency Management Agency, Clayton County Joint E911 Service Board, Clayton County Solid Waste Management Commission and Clayton County Communications Board.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

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

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental 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 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 Revolving Loan Fund is used to account for the receipts from revolving loan proceeds collected from customers to help stimulate economic development in the area.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Guttenberg Municipal Hospital Fund is used to account for the operations and maintenance of the Guttenberg Municipal Hospital.

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Electric Fund accounts for the operation and maintenance of the City's electric system.

C. Measurement Focus and Basis of Accounting

The City of Guttenberg 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 incurred, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amount budgeted in the public safety function.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2004 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.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

**(3) Notes and Interfund Loans Payable**

Notes Payable

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

Year Ending June 30,	General Obligation Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 140,763	63,605	35,000	16,790	175,763	80,395
2006	133,057	56,524	40,000	14,585	173,057	71,109
2007	127,796	49,665	40,000	12,025	167,796	61,690
2008	206,488	39,360	45,000	9,452	251,488	48,812
2009	141,754	32,161	50,000	6,500	191,754	38,661
2010 - 2014	454,515	57,280	50,000	3,250	504,515	60,530
Total	\$ 1,204,373	298,595	260,000	62,602	1,464,373	361,197

Interfund Loans

During the year ended June 30, 2004, the Enterprise, Electric Fund loaned \$416,363 to the Special Revenue, Urban Renewal Tax Increment Fund. The loans bear interest at 5%. As of June 30, 2004, no repayments have been made.

Revenue Notes:

The resolution providing for the issuance of the revenue notes includes the following provisions.

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.



- (b) Sufficient monthly transfers shall be made to the water revenue sinking account for the purpose of making the note principal and interest payments when due.
- (c) An additional amount of \$49,000 shall be set apart in a water principal and interest reserve account. This account is restricted for the purpose of making the note principal and interest payments when deposits are not sufficient in the water revenue sinking account.
- (d) An additional \$30,000 shall be set apart in a water improvement and extension account. This account is restricted for making principal and interest payments if the water sinking and water principal and interest reserve account deposits are not sufficient and for making system improvements.

Other Debt:

Iowa Community and Rural Development Loan Program – On October 12, 1989, the City entered into a loan agreement with the Iowa Department of Economic Development (DED) to finance sewer improvements from DED’s Iowa Community and Rural Development Loan Program. The loan of \$272,257 is to be repaid to DED in 15 annual installments which began September 4, 1991 and will end with the final payment on September 4, 2005. The loan bears interest at 3% per annum interest and the unpaid balance at June 30, 2004 totaled \$43,638.

Guttenberg Municipal Hospital Debt:

A schedule of long-term debt obligations at June 30, 2004 for the Guttenberg Municipal Hospital is as follows:

	<u>Amount</u>
Health Center Revenue Bonds, Series 1998A	\$ 1,416,166
Health Center Revenue Bonds	802,381
Capitalized Lease Obligations	<u>75,860</u>
Total	<u>\$ 2,294,407</u>

The Health Center Revenue Bonds, Series 1998A require monthly payments of principal and interest with current interest at the rate of 4.07%. The interest rate is variable.

The Health Center Revenue Bonds require monthly payments of principal and interest with the current interest at a rate of 5.40%. The interest is variable.

The Guttenberg Municipal Hospital leases certain equipment under capital lease agreements.

Aggregate future payments of principal and interest on the long-term debt obligations are as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 160,911	103,173	264,084
2006	132,503	95,645	228,148
2007	116,356	88,778	205,134
2008	121,597	83,539	205,136
2009	127,102	77,687	204,789
Thereafter	1,635,938	412,525	2,048,463
Total	\$ 2,294,407	861,347	3,155,754

**(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.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2004 was \$177,277, equal to the required contribution for the year.

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave 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 and sick leave hours payable to employees at June 30, 2004, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 46,000
Sick leave	<u>50,000</u>
Total	<u>\$ 96,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2004.

**(6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Capital Projects	\$ 9,000
	Enterprise:	
	Water	3,500
	Sewer	3,500
	Electric	134,984
		<u>150,984</u>
Special Revenue:		
Employee Benefits	General	<u>55,178</u>
Urban Renewal	Enterprise:	
Tax Increment	Electric	<u>416,363</u>
Capital Projects	General	<u>4,305</u>
Debt Service	General	11,900
	Special Revenue:	
	Urban Renewal	
	Tax Increment	19,798
	Local Option Sales Tax	53,350
	Enterprise:	
	Water	<u>28,476</u>
		<u>113,524</u>
Enterprise:		
Electric	General	9,470
	Special Revenue:	
	Urban Renewal	
	Tax Increment	187,076
	Road Use Tax	10,000
	Local Option Sales Tax	87,125
	Debt Service	<u>16,268</u>
		<u>309,939</u>
Total		<u>\$ 578,752</u>

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

**(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.

The Hospital has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1 million per claim and an annual aggregate limit of \$3 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured.

The Hospital is exposed to various risks of loss related to torts; theft of, 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 purchased from independent third parties. The Hospital assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three fiscal years.

**(8) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$12,258 during the year ended June 30, 2004.

**(9) Deficit Balances**

The Special Revenue, Local Option Sales Tax Fund had a deficit balance of \$29,405 at June 30, 2004. The deficit will be eliminated through subsequent collection of local option sales tax.

The Special Revenue, Urban Renewal Tax Increment Fund had a deficit balance of \$5,114 at June 30, 2004. The deficit will be eliminated through subsequent tax increment financing collections.

The Special Revenue, CDBG Water Fund had a deficit balance of \$15,680 at June 30, 2004. The deficit will be eliminated through subsequent year transfers from the Enterprise, Water Fund.

The Debt Service Fund had a deficit balance of \$1,310 at June 30, 2004. The deficit will be eliminated through subsequent collection of property tax.

**(10) Guttenberg Economic and Industrial Development Committee Loan Repayment**

In July 1999, the City entered into an agreement with the Guttenberg Economic and Industrial Development Committee (GEIDC). Under the agreement, GEIDC will return the revolving loan funds of \$435,000 to the City. An initial payment of \$100,000 was received and the balance is scheduled to be received over a 13 year period with monthly payments of \$2,440, including 2% per annum interest. At June 30, 2004, repayments of \$21,964 have been received, leaving an unpaid balance of \$226,684.

**(11) Economic Development Loans**

On July 1, 2000, the City loaned \$35,000 to PBH, Inc. to assist in the purchase and expansion of a local business. The loan bears interest at 5% per annum and is to be repaid in monthly installments of \$371 beginning August 1, 2000 and ending July 1, 2010. During the year ended June 30, 2004, principal of \$1,855 and interest of \$743 was received on the loan. The loan balance at June 30, 2004 was \$24,410

On July 15, 2000, the City loaned \$35,000 to Big River Marketing, Ltd., to assist in the purchase of computer equipment. The loan bears interest at 5% per annum and is to be repaid in monthly installments of \$495 beginning July 15, 2000 and ending June 15, 2007. During the year ended June 30, 2004, principal of \$4,975 and interest of \$961 was received on the loan. The loan balance at June 30, 2004 was \$16,506.

**(12) Accounting Change**

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Implementation of these standards had no effect on the beginning balances of the City.

**(13) Subsequent Events**

On August 16, 2004, the City approved the 2004 Street Improvement Project at a cost of \$523,788.

On November 1, 2004, the City approved the purchase/offer for building and property at a cost of \$40,000.

On March 7, 2005, the City approved the Water Main Extension Project at a cost of \$186,872.

On June 27, 2005, the City approved the issuance of \$97,000 in general obligation corporate purpose notes for Police and Fire needs.

On June 27, 2005, the City also approved a loan agreement for \$660,000 and provided for interim financing for project costs related to riverfront development, water improvements and local option needs.

**Required Supplementary Information**

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

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual
<b>Receipts:</b>		
Property tax	\$ 707,282	-
Tax increment financing	6,513	-
Other city tax	26,065	-
Licenses and permits	10,291	-
Use of money and property	111,120	7,541
Intergovernmental	389,039	10,765
Charges for service	157,248	7,496,511
Special assessments	6,677	-
Miscellaneous	274,435	662
Total receipts	1,688,670	7,515,479
<b>Disbursements:</b>		
Public safety	576,749	-
Public works	282,459	-
Health and social services	3,749	-
Culture and recreation	411,104	-
Community and economic development	336,019	-
General government	157,905	-
Debt service	178,379	-
Capital projects	47,651	-
Business type activities	-	7,070,464
Total disbursements	1,994,015	7,070,464
Excess (deficiency) of receipts over (under) disbursements	(305,345)	445,015
Other financing sources, net	372,884	(276,884)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	67,539	168,131
Balances beginning of year	775,050	2,756,967
Balances end of year	\$ 842,589	2,925,098

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
707,282	695,781	695,781	11,501
6,513	19,798	19,798	(13,285)
26,065	140,861	140,861	(114,796)
10,291	8,460	8,460	1,831
118,661	210,030	210,030	(91,369)
399,804	327,339	327,339	72,465
7,653,759	7,163,985	7,381,985	271,774
6,677	15,200	15,200	(8,523)
275,097	295,867	295,867	(20,770)
9,204,149	8,877,321	9,095,321	108,828
576,749	535,387	553,654	(23,095)
282,459	289,722	329,722	47,263
3,749	3,912	3,912	163
411,104	467,159	489,609	78,505
336,019	102,407	352,407	16,388
157,905	160,499	160,499	2,594
178,379	203,110	203,110	24,731
47,651	106,500	106,500	58,849
7,070,464	7,288,475	7,506,475	436,011
9,064,479	9,157,171	9,705,888	641,409
139,670	(279,850)	(610,567)	750,237
96,000	287,000	598,267	(502,267)
235,670	7,150	(12,300)	247,970
3,532,017	3,002,364	3,185,254	346,763
3,767,687	3,009,514	3,172,954	594,733



City of Guttenberg

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

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. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Proprietary 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, two budget amendments increased budgeted disbursements by \$548,717. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amount budgeted in the public safety function.

**Other Supplementary Information**

City of Guttenberg

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

As of and for the year ended June 30, 2004

	Road Use Tax	Employee Benefits	Local Option Sales Tax	Community Development Block Grant- Water
Receipts:				
Property tax	\$ -	134,636	-	-
Other city tax	-	2,162	-	-
Use of money and property	-	44	303	-
Intergovernmental	165,492	-	123,309	-
Special assessments	-	-	6,677	-
Miscellaneous	166	607	-	-
Total receipts	165,658	137,449	130,289	-
Disbursements:				
Operating:				
Public safety	-	101,818	-	-
Public works	148,526	37,982	-	-
Health and social services	-	-	-	-
Culture and recreation	-	33,798	-	-
Community and economic development	-	-	-	-
General government	-	23,469	-	-
Debt service	-	-	-	-
Capital projects	-	-	47,651	-
Total disbursements	148,526	197,067	47,651	-
Excess (deficiency) of receipts over (under) disbursements	17,132	(59,618)	82,638	-
Other financing sources (uses):				
Operating transfers in	-	55,178	-	-
Operating transfers out	(10,000)	-	(140,475)	-
Total other financing sources (uses)	(10,000)	55,178	(140,475)	-
Net change in cash balances	7,132	(4,440)	(57,837)	-
Cash balances beginning of year	61,403	32,741	28,432	(15,680)
Cash balances end of year	\$ 68,535	28,301	(29,405)	(15,680)
<b>Cash Basis Fund Balances</b>				
Unreserved:				
Special revenue funds	\$ 68,535	28,301	(29,405)	(15,680)
Debt service fund	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ 68,535	28,301	(29,405)	(15,680)

See accompanying independent auditor's report.

Special Revenue							Total
Library Building	Guttenberg Relief	Guttenberg Volunteer Fire Department	Guttenberg Economic and Industrial Development Committee	Debt Service	Permanent Cemetery Perpetual Care		
-	-	-	-	68,947	-		203,583
-	-	-	-	1,103	-		3,265
-	-	144	85,610	82	-		86,183
-	-	-	-	-	-		288,801
-	-	-	-	-	-		6,677
-	88	35,136	-	4,000	635		40,632
-	88	35,280	85,610	74,132	635		629,141
-	-	40,619	-	-	-		142,437
-	-	-	-	-	-		186,508
-	137	-	-	-	-		137
-	-	-	-	-	-		33,798
-	-	-	50,135	-	-		50,135
-	-	-	-	-	-		23,469
-	-	-	-	178,379	-		178,379
-	-	-	-	-	-		47,651
-	137	40,619	50,135	178,379	-		662,514
-	(49)	(5,339)	35,475	(104,247)	635		(33,373)
-	-	-	-	113,524	-		168,702
-	-	-	-	(16,268)	-		(166,743)
-	-	-	-	97,256	-		1,959
-	(49)	(5,339)	35,475	(6,991)	635		(31,414)
14,952	195	23,755	37,506	5,681	76,339		265,324
14,952	146	18,416	72,981	(1,310)	76,974		233,910
14,952	146	18,416	72,981	-	-		158,246
-	-	-	-	(1,310)	-		(1,310)
-	-	-	-	-	76,974		76,974
14,952	146	18,416	72,981	(1,310)	76,974		233,910

City of Guttenberg  
Schedule of Indebtedness  
Year ended June 30, 2004

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Urban renewal project	Jun 16, 1997	5.00%	\$ 105,000
General corporate purpose	Jun 30, 1999	4.63	338,000
General corporate purpose	Jul 1, 2000	5.35-5.75	1,070,000
Fire equipment	Aug 13, 2001	5.15	102,000
Economic development	Mar 22, 2002	4.754	250,000
Total			
Revenue notes:			
Water	Oct 1, 1994	6.30-6.50%	\$ 490,000
Loans:			
Iowa Community and Rural Development	Oct 12, 1989	3.00%	\$ 272,257

See accompanying independent auditor's report.

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Balance Beginning of Year	Redeemed During Year	Balance End of Year	Interest Paid
92,251	4,686	87,565	4,555
51,259	21,371	29,888	2,129
895,000	80,000	815,000	53,438
74,911	8,042	66,869	3,858
223,830	18,779	205,051	10,251
<hr/>			
\$ 1,337,251	132,878	1,204,373	74,231
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295,000	35,000	260,000	18,960
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64,509	20,871	43,638	1,935
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City of Guttenberg  
Bond and Note Maturities  
June 30, 2004

Year Ending June 30,	Urban Renewal Project Issued Jun 16, 1997		General Corporate Purpose Issued Jun 30, 1999		General Obligation Notes General Corporate Purpose Issued Jul 1, 2000	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2005	5.00%	\$ 4,924	4.63%	\$ 22,372	5.35%	\$ 85,000
2006	5.00	5,173	4.63	7,516	5.40	90,000
2007	5.00	5,435		-	5.45	90,000
2008		72,033 *		-	5.50	100,000
2009		-		-	5.55	105,000
2010		-		-	5.60	110,000
2011		-		-	5.65	115,000
2012		-		-	5.75	120,000
2013		-		-		-
Total		<u>\$ 87,565</u>		<u>\$ 29,888</u>		<u>\$ 815,000</u>

\* The principal balance beginning June 1, 2007 will bear interest at the municipal bond rate for Iowa maturities at the ten year level and level payments of interest and principal will be due on each December 1<sup>st</sup> and June 1<sup>st</sup> beginning December 1, 2007 and ending June 1, 2017.

See accompanying independent auditor's report.

Fire Equipment		Economic Development		Revenue Notes		
Issued Aug 13, 2001		Issued Mar 22, 2002		Water		
Issued Oct 1, 1994						
Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Total	Rates	Amount
5.15%	\$ 8,956	4.754%	\$ 19,511	\$ 140,763	6.30%	\$ 35,000
5.15	9,918	4.754	20,450	133,057	6.40	40,000
5.15	10,928	4.754	21,433	127,796	6.50	40,000
5.15	11,991	4.754	22,464	206,488	6.50	45,000
5.15	13,209	4.754	23,545	141,754	6.50	50,000
5.15	11,867	4.754	24,678	146,545	6.50	50,000
	-	4.754	25,865	140,865		-
	-	4.754	27,109	147,109		-
	-	4.754	19,996	19,996		-
	<u>\$ 66,869</u>		<u>\$ 205,051</u>	<u>1,204,373</u>		<u>\$ 260,000</u>



**City of Guttenberg**



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Honorable Mayor and  
Members of the City Council:

We have audited the financial statements of the City of Guttenberg, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated June 29, 2005. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2003.

Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Guttenberg's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 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. Prior audit statutory comments have been resolved except for items (5) and (7).

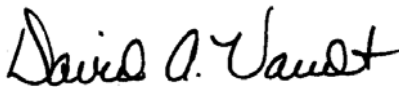
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Guttenberg's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Guttenberg's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item (A) is a material weakness. Prior audit reportable conditions have been resolved except for items (A) and (C).

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Guttenberg and other parties to whom the City of Guttenberg may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

June 29, 2005

City of Guttenberg  
Schedule of Findings  
Year ended June 30, 2004

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

- (A) Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period and also reconcile collections to deposits. The City Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response – Reconciliations of billings, collections and delinquencies will be resumed.

Conclusion – Response accepted.

- (B) Records of Accounts – The Guttenberg Volunteer Fire Department and the Guttenberg Economic and Industrial Development Committee maintain separate accounting records for their operations. These transactions and resulting balances are not included in the City’s accounting records or budgeting process.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, “A City shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any City purpose.” For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City’s accounting records and reported to the City Council on a monthly basis.

If these accounts are not included in the City’s accounting records, the Volunteer Fire Department and the Guttenberg Economic and Industrial Development Committee should ensure duties are segregated to the extent possible and detailed financial reports should be provided to the City Council on a monthly basis.

Response – Both of these entities will be included and related duties will be better segregated.

Conclusion – Response accepted.

City of Guttenberg

Schedule of Findings

Year ended June 30, 2004

- (C) Information System/Computer Controls – During our review of internal controls, the existing control activities in the City’s computer-based systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the City’s computer-based systems were noted:

The City does not have written policies for:

- Requiring a log off function.
- Requiring password changes every 60 to 90 days or to maintain password privacy and confidentiality.
- Requiring system backup files to be stored at an off site facility.
- Requiring the use of an anti-virus program.
- Ensuring only software licensed to the City is installed on computers.
- Internet usage.
- Developing a disaster recovery plan.

Recommendation – The City should develop written policies and procedures regarding the use and operation of its computer system. These written policies and procedures should, at a minimum, address the conditions identified above.

Response – The City will develop written policies and procedures regarding the use and operation of the computer system.

Conclusion – Response accepted.

City of Guttenberg

Schedule of Findings

Year ended June 30, 2004

**Other Findings Related to Statutory Reporting:**

- (1) Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- (2) Certified Budget – Disbursements during the year ended June 30, 2004, exceeded the amount budgeted in the public safety function. Chapter 384.20 of the Code of Iowa states in part that 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 as required by Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget was exceeded due to inclusion of funds not previously budgeted for. Those funds will be included in the future and budgets will be properly amended, as necessary.

Conclusion – Response accepted.

- (3) Questionable Disbursements – No disbursements that may not meet the requirements of a public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (5) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Ladean Fischer, City Employee, Owner of Fischer Oil	Tilling, weed burning and oil	\$ 1,141
Robert Hartmann, Police Dispatcher, Owner of River Valley Communication	Labor, parts and supplies	1,915
Carol Hartmann, City Employee, Husband owns John's TV	Equipment and repair	338
Julie Zittergruen, Deputy Clerk/ Assistant Manager, Owner of Fanatic Enterprises	Magazine subscription	20
Julie Zittergruen, Deputy Clerk/ Assistant Manager, brother owns Fassbinder Small Engines	Mower, parts and supplies	8,844

City of Guttenberg

Schedule of Findings

Year ended June 30, 2004

The transactions with Ladean Fischer, Robert Hartmann, Carol Hartmann and Fanatic Enterprises do not represent conflicts of interest in accordance with Chapter 362.5(11) of the Code of Iowa because the cumulative total during the fiscal year was less than \$2,500. The transactions with Fassbinder Small Engines may represent a conflict of interest since the total cumulative transactions were greater than \$2,500.

Recommendation – The City should consult legal counsel to determine the disposition of the payments made to Fassbinder Small Engines.

Response – We will consult with legal counsel.

Conclusion – Response accepted.

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

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

The City did not publish minutes within 15 days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should publish minutes as required by Chapter 372.13(6) of the Code of Iowa.

Response – We will publish minutes within the 15 day timeframe.

Conclusion – Response accepted.

- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

- (9) Revenue Notes – The City has complied with the provisions of the revenue note indenture.

- (10) Payment of General Obligation Notes – Certain general obligation notes were paid from the Special Revenue, Revolving Loan Fund. Chapter 384.4 of the Code of Iowa states, in part, "Moneys pledged or available to service general obligation notes, and received from sources other than property tax, must be deposited in the Debt Service Fund."

Recommendation – The City should transfer from the Special Revenue, Revolving Loan Fund to the Debt Service Fund for future funding contributions. Payments of the notes should then be made from the Debt Service Fund.

Response – We will make disbursements and transfers as required.

Conclusion – Response accepted.

City of Guttenberg

Schedule of Findings

Year ended June 30, 2004

- (11) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The City should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The back image is retained by our financial institution and is available upon request. We feel this meets the intent of the Code.

Conclusion – Response acknowledged. The City should obtain and retain an image of both the front and back of each cancelled check as required.

- (12) Financial Condition – The Special Revenue, Local Option Sales Tax Fund had a deficit balance of \$29,405, the Special Revenue, Urban Renewal Tax Increment Fund had a deficit balance of \$5,114, the Special Revenue, CDBG Water Fund had a deficit balance of \$15,680 and the Debt Service Fund had a deficit balance of \$1,310 at June 30, 2004.

Recommendation – The City should evaluate the reasons for these deficits and investigate alternatives to eliminate these deficit balances in order to return these funds to a sound financial position.

Response – The deficit balances have been eliminated.

Conclusion – Response accepted.



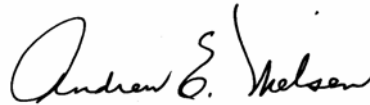
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City of Guttenberg

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager  
John G. Vanis, CGFM, Senior Auditor  
Scott D. Trauger, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State