

**CITY OF GRUNDY CENTER, IOWA**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
June 30, 2005

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## CITY OF GRUNDY CENTER

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jack Stumberg	Mayor	January 2006
Mike Oglesby	Council Member	January 2006
John Kramer	Council Member	January 2006
Jack Bienfang	Council Member	January 2008
Paul Sealman	Council Member	January 2008
William Halbach	Council Member	January 2008
Richard Riesberg	City Clerk and Treasurer	Indefinite
Brad Harris	City Attorney	Indefinite

**CITY OF GRUNDY CENTER**

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council  
Grundy Center, Iowa

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 Grundy Center, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City of Grundy Center's basic financial statements listed in the table of contents. These basic financial statements are the responsibility of the City of Grundy Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements referred to above do not include the financial activities of the Grundy Center Municipal Power & Light Company component unit. If the omitted component unit had been included, receipts and disbursements of the enterprise funds would have increased by \$5,038,671 and \$4,689,634, respectively. If the component unit had been included, there would have been an excess of receipts and other financing sources over disbursements and other financing uses of \$512,123, and the ending enterprise funds balance would have been \$7,147,711.

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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Grundy Center as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 8, 2005 on our consideration of the City of Grundy Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. 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 11 and 36 through 37 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 made for the purpose of forming an opinion on the financial statements that collectively comprise the City of Grundy Center's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 7, 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 aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

*Clifton Gunderson LLP*

Cedar Rapids, Iowa  
September 8, 2005

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Grundy Center 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, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2005 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased 2.37% or approximately \$38,000 from fiscal 2004 to fiscal 2005. Property Tax Collections increased approximately \$50,000, Intergovernmental revenues decreased approximately \$40,000, and Special Assessments increased approximately \$29,000.
- Disbursements increased 14.69% or approximately \$230,000 in fiscal 2005 from fiscal 2004. There was an increase of approximately \$300,000 in Capital Projects for the construction of improvements in the Bergman Sub-Division and the Culture and Recreation program increased approximately \$20,000. This was offset by decreases of \$43,000 in Public Works, and \$45,000 in the Community and Economic Development program.
- The City's total cash basis net assets increased 6.28% or approximately \$118,000 from June 30, 2004 to June 30, 2005. The increase in assets can mainly be attributed to the receipt of increased revenues from the changes made to water and sewer rates (approximately \$100,000), and the increased property tax collections noted above.

### 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 Statements 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, Special Revenue, Capital and Enterprise Funds. A Statement of Indebtedness is also provided and four-year comparative data can also be found here.

## **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 that 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:

- 1) Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property taxes, sales tax collections, and State/Federal grants finance most of these activities.
- 2) Business Type Activities include the waterworks, the sanitary sewer system, the sanitation department, and ambulance service. These 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: the General Fund, the Special Revenues Funds, the Debt Service Fund, the Capital Projects Funds, and the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental 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 statements for governmental funds include a statement of cash receipts, disbursements, and changes in cash balances.

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

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

**GOVERNMENT - WIDE FINANCIAL ANALYSIS**

The city saw a decrease in its Continuing Projects Funds as it spent the revenues from the previous year on the infrastructure improvements for the Bergman Housing Sub-division. The city continues to build reserves in the Road Use Tax Fund for the expected city share of repairs to Highway 14 within the city limits. The General Fund continues to carry over a very small balance as increases in expenditures out pace increases in revenues.

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$786,990 to \$741,545. The analysis that follows focuses on the changes in cash balances for governmental activities.

	<u>General Fund</u>	<u>Special Revenues</u>		<u>Capital Projects</u>		<u>Totals</u>
		<u>Road Use Tax</u>	<u>Special Revenue</u>	<u>Continuing Projects Fund</u>	<u>Other</u>	
Cash Balance as of:						
6/30/2004	\$ 4,875	\$ 316,973	\$ 10,907	\$ 271,721	\$ 182,514	\$ 786,990
6/30/2005	<u>8,699</u>	<u>367,295</u>	<u>296</u>	<u>110,386</u>	<u>254,869</u>	<u>741,545</u>
Change in Balance Positive/Negative	<u>\$ 3,824</u>	<u>\$ 50,322</u>	<u>\$ (10,611)</u>	<u>\$ (161,335)</u>	<u>\$ 72,355</u>	<u>\$ (45,445)</u>

The City increased the property tax millage for 2005 by 3.6%. The increase in millage for residential properties was somewhat offset by an increase in the rollback amount. When the increased millage and increased assessed valuations of all classes of properties are considered, the City collected an additional \$56,000 in property taxes for the General Fund, Special Revenue Fund, and Debt Service Fund.

The cost of all governmental activities this year was \$1,800,702 compared to \$1,570,089 last year. The Statement of Activities and Net Assets on pages 13-16 reveals that the amount the taxpayers ultimately financed for these activities was only \$1,307,792 because some of the cost was paid by those directly benefited from the programs or by other government agencies and organizations.

The business activities receipts for the fiscal year were \$913,308 compared to \$803,484 last year. This increase in revenues was due to increased charges for water, sewer, and ambulance services. Total disbursements increased by \$28,601 from \$917,373 for fiscal year 2004 to \$945,974 for fiscal year 2005

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

At the end of the fiscal year the City of Grundy Center had a combined \$741,545 fund balance in its Governmental Funds, this represents a negative change of \$45,445. The following are the highlights of the changes to the balances from last year's activities:

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS (CONTINUED)

- On June 30, 2004 the City received Bond Revenue of \$268,000 for improvements related to a new housing addition in Grundy Center. The funds were used for the public improvements in this new addition, which totaled approximately \$150,000 for fiscal year 2005.
- The balances in equipment reserve accounts for capital expenses in Police and Fire operations also increased for the year, as well as the balance in the Community Betterment Fund and the Housing Rehabilitation Fund. In total these funds increased over \$51,000 for the fiscal year.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The water fund, because of the changes to rates, saw an increase in its balance at the end of the year. Plans to paint the water tower in the next fiscal year have begun and solutions to rusty water in parts of town are being sought.
- The Sewer Fund has seen major expenses for the update and maintenance of the sewer treatment plant in recent years. The plant was originally built in 1983 and many of its components are now reaching the end of their useful life. The rate increase for these services has offset the increased level of maintenance and repairs to provide a stable fund balance.
- The Sanitation Fund continues to increase its balance. A recent change by the Grundy County Landfill will reduce the amount that the City has to put aside for post closure costs at the landfill. The City purchased a scat machine to aid in its efforts to compost yard wastes; the cost of this was \$35,500.

## BUGETARY HIGHLIGHTS

During the year the budget was not amended. The following program areas exceeded their budget limits: Public Works, Culture and Recreation, and Community and Economic Development.

## DEBT ADMINISTRATION

As of June 30, 2005 the City of Grundy Center had approximately \$ 1,173,000 in bonds and other long-term debt. This amount is approximately \$96,000 less than a year ago as is shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	2005	2004
General Obligation Bonds – Sanitary Sewers	\$ 370	\$ 385
General Obligation Bonds – Fire Station	165	198
Urban Renewal tax increment financing Revenue bonds	542	590
<b>Total</b>	<b>\$1,077</b>	<b>\$1,173</b>

## DEBT ADMINISTRATION (CONTINUED)

Debt decreased during the year as a result of not issuing any new bonds and the continuing payments against the principle owed. The State limits the amount of debt a city can carry to no more than 5% of the assessed value of all taxable property within the City's corporate limits. That limit is approximately \$4,700,000.

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

The Grundy Center City Council took action on next year's budget by the March 15, 2005 deadline. In preparing the budget, tax levy rate, and charges for services they considered many items such as reduced funding from the State of Iowa, increasing health care costs for employees and the pay raise for employees.

After taking all factors into consideration the Council voted to increase the budgeted expenditures by \$661,209 to \$10,139,167. Included in these amounts are amounts for the Grundy Center Electric and Communications Utilities. However, our financial statements do not report on these operations. Along with this increase, the tax levy rate was increased by 3.4% from \$14.72137 to \$15.22187 per thousand dollars of taxable valuation. A part of the increase to homeowners will be offset by a decrease in the portion of the assessed value that is subject to property taxes.

Below is a chart that shows the recent history of property tax rates for a \$100,000 home in Grundy Center:

### Property tax on a \$100,000 home

Fiscal Year:	01/02	02/03	03/04	04/05	05/06
Assessed Value	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Rollback	56.2651%	51.6676%	51.3874%	48.4558%	47.9642%
Taxable Value	\$ 56,265	\$ 51,668	\$ 51,387	\$ 48,456	\$ 47,964
Tax Rate per \$1,000	\$ 13.31137	\$ 13.67847	\$ 14.21387	\$ 14.72137	\$15.22187
Calculated Tax	\$ 749	\$ 707	\$ 730	\$ 713	\$ 730
% of Total Tax Bill	40.303%	39.885%	39.296%	38.523%	38.270%
School % of Tax Bill	42.853%	42.609%	42.273%	41.588%	41.259%
County G.F. % of Tax Bill	11.160%	11.049%	12.270%	13.325%	12.154%
Remiaing Taxing Entities	5.684%	6.457%	6.161%	6.564%	8.317%

No new major programs are anticipated in the next year. There will be significant expenditure increases for painting the water tower, buying equipment, street maintenance, and other capital projects.

## 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 any questions about this report or need additional financial information, contact Richard Riesberg, City Clerk/Treasurer, 703 F Avenue, Suite #2, Grundy Center, Iowa.

**BASIC FINANCIAL STATEMENTS**

**CITY OF GRUNDY CENTER**

**Statement of Activities and Net Assets - Cash Basis**

**As of and for the Year Ended June 30, 2005**

		<u>Program Receipts</u>		
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<b>FUNCTIONS/PROGRAMS:</b>				
Governmental activities:				
Public safety	\$ 275,918	\$ 5,416	\$ 959	\$ 17,488
Public works	406,261	-	222,147	-
Health and social services	4,020	-	-	-
Culture and recreation	310,284	78,110	48,644	19,168
Community and economic development	139,621	3,610	1,127	84,395
General government	167,467	4,318	3,061	-
Debt service	51,903	-	-	-
Capital projects	<u>445,228</u>	<u>-</u>	<u>4,467</u>	<u>-</u>
Total governmental activities	<u>1,800,702</u>	<u>91,454</u>	<u>280,405</u>	<u>121,051</u>
Business-type activities:				
Water	381,575	412,907	19,883	-
Sewer	223,175	200,038	39,439	-
Sanitation	198,791	210,233	-	-
Ambulance	<u>142,433</u>	<u>90,130</u>	<u>20,185</u>	<u>-</u>
Total business type activities	<u>945,974</u>	<u>913,308</u>	<u>79,507</u>	<u>-</u>
Total	<u>2,746,676</u>	<u>1,004,762</u>	<u>359,912</u>	<u>121,051</u>
<b>GENERAL RECEIPTS:</b>				
Property taxes levied for:				
General purposes				
Employee benefits				
Tax increment financing				
Debt service				
Other city tax				
Local option sales tax				
Special assessments				
Grants and contributions not restricted to specific purposes				
Unrestricted interest on investments				

**Net (Disbursements) Receipts and  
Change in Cash Basis Net Assets**

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<b><u>Governmental Activities</u></b>	<b><u>Business Type Activities</u></b>	<b><u>Total</u></b>
\$ (252,055)	\$ -	\$ (252,055)
(184,114)	-	(184,114)
(4,020)	-	(4,020)
(164,362)	-	(164,362)
(50,489)	-	(50,489)
(160,088)	-	(160,088)
(51,903)	-	(51,903)
<u>(440,761)</u>	<u>-</u>	<u>(440,761)</u>
 <u>(1,307,792)</u>	 <u>-</u>	 <u>(1,307,792)</u>
 -	51,215	51,215
-	16,302	16,302
-	11,442	11,442
<u>-</u>	<u>(32,118)</u>	<u>(32,118)</u>
 <u>-</u>	 <u>46,841</u>	 <u>46,841</u>
 <u>(1,307,792)</u>	 <u>46,841</u>	 <u>(1,260,951)</u>
 514,608	-	514,608
187,972	-	187,972
86,641	-	86,641
66,563	-	66,563
4,547	-	4,547
139,619	-	139,619
65,316	-	65,316
21,014	8,399	29,413
11,747	28,194	39,941

(continued)

**CITY OF GRUNDY CENTER**

**Statement of Activities and Net Assets - Cash Basis**

**As of and for the Year Ended June 30, 2005**

	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Program Receipts</u>	
			Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Bond proceeds				
Sale of capital assets				
Miscellaneous				
Transfers				
Total general receipts and transfers				
<b>CHANGE IN CASH BASIS NET ASSETS</b>				
<b>CASH BASIS NET ASSETS, BEGINNING</b>				
<b>CASH BASIS NET ASSETS, ENDING</b>				
<b>CASH BASIS NET ASSETS:</b>				
Restricted:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
<b>TOTAL CASH BASIS NET ASSETS</b>				

**Net (Disbursements) Receipts and  
Change in Cash Basis Net Assets**

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<b><u>Governmental Activities</u></b>	<b><u>Business Type Activities</u></b>	<b><u>Total</u></b>
137,750	-	137,750
115	31,500	31,615
61,862	12,745	74,607
<u>(35,407)</u>	<u>35,407</u>	<u>-</u>
 <u>1,262,347</u>	 <u>116,245</u>	 <u>1,378,592</u>
 (45,445)	 163,086	 117,641
 <u>786,990</u>	 <u>1,085,601</u>	 <u>1,872,591</u>
 <u>\$ 741,545</u>	 <u>\$ 1,248,687</u>	 <u>\$ 1,990,232</u>
  \$ 367,295	  \$ -	  \$ 367,295
16,861	-	16,861
3,858	-	3,858
344,832	895,283	1,240,115
<u>8,699</u>	<u>353,404</u>	<u>362,103</u>
 <u>\$ 741,545</u>	 <u>\$ 1,248,687</u>	 <u>\$ 1,990,232</u>

These financial statements should be read only in connection  
with the accompanying notes to the financial statements.

**CITY OF GRUNDY CENTER**

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

**As of and For the Year Ended June 30, 2005**

		<u>Special Revenue</u>		<u>Capital Projects</u>
	<u>General</u>	<u>Road Use Tax</u>	<u>Special Revenue</u>	<u>Continuing Projects</u>
<b>RECEIPTS:</b>				
Property tax	\$ 514,608	\$ -	\$ 187,972	\$ -
Tax increment financing collections	-	-	-	-
Other city tax	74,356	-	-	-
Licenses and permits	7,928	-	-	-
Use of money and property	31,361	-	551	-
Intergovernmental	41,304	215,847	-	-
Special assessments	-	-	-	-
Charges for services	56,588	-	-	-
Miscellaneous	<u>41,804</u>	<u>-</u>	<u>-</u>	<u>45,119</u>
Total receipts	<u>767,949</u>	<u>215,847</u>	<u>188,523</u>	<u>45,119</u>
<b>DISBURSEMENTS:</b>				
Operating:				
Public safety	273,158	-	-	-
Public works	225,436	165,525	-	-
Health and social services	4,020	-	-	-
Culture and recreation	298,448	-	-	-
Community and economic development	12,112	-	-	-
General government	167,467	-	-	-
Debt service	-	-	-	-
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>206,454</u>
Total disbursements	<u>980,641</u>	<u>165,525</u>	<u>-</u>	<u>206,454</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(212,692)</u>	<u>50,322</u>	<u>188,523</u>	<u>(161,335)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Bond proceeds	-	-	-	-
Sale of property	25	-	-	-
Operating transfers in	233,962	-	6,402	-
Operating transfers out	<u>(17,471)</u>	<u>-</u>	<u>(205,536)</u>	<u>-</u>
Net other financing sources (uses)	<u>216,516</u>	<u>-</u>	<u>(199,134)</u>	<u>-</u>

<u>Other Nonmajor Governmental Funds</u>	<u>Totals</u>
\$ 153,205	\$ 855,785
-	-
69,810	144,166
-	7,928
15,379	47,291
83,540	340,691
65,316	65,316
17,488	74,076
<u>30,624</u>	<u>117,547</u>
<u>435,362</u>	<u>1,652,800</u>
2,760	275,918
15,300	406,261
-	4,020
11,836	310,284
127,509	139,621
-	167,467
51,903	51,903
<u>238,774</u>	<u>445,228</u>
<u>448,082</u>	<u>1,800,702</u>
<u>(12,720)</u>	<u>(147,902)</u>
-	-
90	115
213,630	453,994
<u>(128,645)</u>	<u>(351,652)</u>
<u>85,075</u>	<u>102,457</u>

(continued)

**CITY OF GRUNDY CENTER**

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

**As of and For the Year Ended June 30, 2005**

		<u>Special Revenue</u>		<u>Capital Projects</u>
	<u>General</u>	<u>Road Use Tax</u>	<u>Special Revenue</u>	<u>Continuing Projects</u>
<b>NET CHANGE IN CASH BALANCE</b>	3,824	50,322	(10,611)	(161,335)
<b>CASH BALANCE, BEGINNING</b>	<u>4,875</u>	<u>316,973</u>	<u>10,907</u>	<u>271,721</u>
<b>CASH BALANCE, ENDING</b>	<u>\$ 8,699</u>	<u>\$ 367,295</u>	<u>\$ 296</u>	<u>\$ 110,386</u>
<b>CASH BASIS FUND BALANCE:</b>				
Reserved:				
Debt service	\$ -	\$ -	\$ -	\$ -
Unreserved:				
General	8,699	-	-	-
Special revenue funds	-	367,295	296	-
Capital project funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,386</u>
Total cash basis fund balance	<u>\$ 8,699</u>	<u>\$ 367,295</u>	<u>\$ 296</u>	<u>\$ 110,386</u>

<u>Other Nonmajor Governmental Funds</u>	<u>Totals</u>
72,355	(45,445)
<u>182,514</u>	<u>786,990</u>
<u>\$ 254,869</u>	<u>\$ 741,545</u>
\$ 3,858	\$ 3,858
-	8,699
75,225	442,816
<u>175,786</u>	<u>286,172</u>
<u>\$ 254,869</u>	<u>\$ 741,545</u>

These financial statements should be read only in connection with the accompanying notes to the financial statements.

**CITY OF GRUNDY CENTER**

**Statement of Cash Receipts, Disbursements, and  
Changes in Cash Balances - Proprietary Funds**

**As of and For the Year Ended June 30, 2005**

	<u>Enterprise</u>			
	<u>Water</u>	<u>Sanitary Sewer</u>	<u>Sanitary Sewer Reserve</u>	<u>Sanitation</u>
<b>OPERATING RECEIPTS:</b>				
Intergovernmental	\$ 383	\$ 14,054	\$ -	\$ -
Charges for services	394,907	200,038	-	172,186
Miscellaneous	<u>4,545</u>	<u>3,579</u>	<u>35</u>	<u>38,047</u>
Total operating receipts	<u>399,835</u>	<u>217,671</u>	<u>35</u>	<u>210,233</u>
<b>OPERATING DISBURSEMENTS:</b>				
Business type activities:				
Water	372,962	-	-	-
Sewer	-	197,271	25,904	-
Sanitation	-	-	-	196,149
Ambulance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating disbursements	<u>372,962</u>	<u>197,271</u>	<u>25,904</u>	<u>196,149</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>26,873</u>	<u>20,400</u>	<u>(25,869)</u>	<u>14,084</u>
<b>NONOPERATING RECEIPTS (DISBURSEMENTS):</b>				
Interest on investments	20,053	1,068	43,197	2,280
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net nonoperating receipts (disbursements)	<u>20,053</u>	<u>1,068</u>	<u>43,197</u>	<u>2,280</u>
Excess (deficiency) of receipts over (under) disbursements	<u>46,926</u>	<u>21,468</u>	<u>17,328</u>	<u>16,364</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of real property	-	-	-	-
Operating transfers in	-	-	17,978	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>17,978</u>	<u>-</u>

<u>Funds</u>		
<u>Sanitation Reserve</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>
\$ -	\$ 12,768	\$ 27,205
-	108,130	875,261
<u>2,575</u>	<u>9,428</u>	<u>58,209</u>
<u>2,575</u>	<u>130,326</u>	<u>960,675</u>
-	8,613	381,575
-	-	223,175
2,642	-	198,791
<u>-</u>	<u>142,433</u>	<u>142,433</u>
<u>2,642</u>	<u>151,046</u>	<u>945,974</u>
<u>(67)</u>	<u>(20,720)</u>	<u>14,701</u>
9,406	5,474	81,478
<u>-</u>	<u>-</u>	<u>-</u>
<u>9,406</u>	<u>5,474</u>	<u>81,478</u>
<u>9,339</u>	<u>(15,246)</u>	<u>96,179</u>
31,500	-	31,500
20,877	24,978	63,833
<u>(28,426)</u>	<u>-</u>	<u>(28,426)</u>
<u>23,951</u>	<u>24,978</u>	<u>66,907</u>

(continued)

**CITY OF GRUNDY CENTER**

**Statement of Cash Receipts, Disbursements, and  
Changes in Cash Balances - Proprietary Funds**

**As of and For the Year Ended June 30, 2005**

	<u>Water</u>	<u>Sanitary Sewer</u>	<u>Sanitary Sewer Reserve</u>	<u>Enterprise Sanitation</u>
<b>NET CHANGE IN CASH BALANCE</b>	46,926	21,468	35,306	16,364
<b>CASH BALANCE, BEGINNING</b>	<u>10,233</u>	<u>64,083</u>	<u>430,024</u>	<u>111,478</u>
<b>CASH BALANCE, ENDING</b>	<u>\$ 57,159</u>	<u>\$ 85,551</u>	<u>\$ 465,330</u>	<u>\$ 127,842</u>
<b>CASH BASIS FUND BALANCE:</b>				
Reserved:				
Capital improvements	\$ -	\$ -	\$ 465,330	\$ -
Unreserved	<u>57,159</u>	<u>85,551</u>	<u>-</u>	<u>127,842</u>
Total cash basis fund balance	<u>\$ 57,159</u>	<u>\$ 85,551</u>	<u>\$ 465,330</u>	<u>\$ 127,842</u>

<u>Funds</u>		
<u>Sanitation Reserve</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>
33,290	9,732	163,086
<u>267,828</u>	<u>201,955</u>	<u>1,085,601</u>
<u>\$ 301,118</u>	<u>\$ 211,687</u>	<u>\$ 1,248,687</u>
\$ 301,118	\$ 128,835	\$ 895,283
<u>-</u>	<u>82,852</u>	<u>353,404</u>
<u>\$ 301,118</u>	<u>\$ 211,687</u>	<u>\$ 1,248,687</u>

These financial statements should be read only in connection with the accompanying notes to the financial statements.

## CITY OF GRUNDY CENTER

### Notes to Financial Statements

June 30, 2005

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

The City of Grundy Center is a political subdivision of the State of Iowa located in Grundy County. It was first incorporated in 1877 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, the City of Grundy Center has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Grundy Center and its component units, except for the Grundy Center Municipal Light and Power Company. This component unit discussed below should be included in the City's reporting entity because of the significance of its operational and financial relationship with the City. Complete financial statements of the Grundy Center Municipal Light and Power Company can be obtained from its administration office.

The Grundy Center Municipal Light and Power Company is legally separate from the City, but is financially accountable to the City. The Utility is governed by a three member board of trustees appointed by the Mayor with approval by the City Council, and the Utility's operating budget is subject to the approval of the City Council.

##### Jointly Governed Organizations

The City of Grundy Center also participates in 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 Grundy County Landfill Commission and the Sports Recreation Complex in conjunction with the Grundy Center Community School District.

## CITY OF GRUNDY CENTER

### Notes to Financial Statements

June 30, 2005

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

**B. Basis of Presentation**

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

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in 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 that do not meet 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 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 fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

**CITY OF GRUNDY CENTER**

**Notes to Financial Statements**

**June 30, 2005**

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

**B. Basis of Presentation (continued)**

**Special Revenue:**

The Road Use Tax Fund is used to account for road construction and maintenance.

The Special Revenue Fund is used for collection of special taxes.

**Capital Projects:**

The Continuing Project Fund is utilized to account for transactions involved in the City's capital projects.

**The City reports the following major proprietary funds:**

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

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

The Sanitary Sewer Reserve Fund accounts for the City's long-term capital needs.

The Sanitation Fund accounts for operation of the City's garbage collection.

The Sanitation Reserve Fund accounts for the City's long-term capital needs.

**C. Measurement Focus and Basis of Accounting**

The City of Grundy Center maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

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

**CITY OF GRUNDY CENTER**

**Notes to Financial Statements**

**June 30, 2005**

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

**D. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the culture and recreation, public works, and community and economic development functions.

**(2) Cash and Pooled Investments**

The City's deposits at June 30, 2005, 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 and the Treasurer of the State of Iowa; 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's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all category 1, which means that the investments are insured or registered or the securities are held by the City or its agent in the City's name. The City's ending fund balances are deposited in certificates of deposit, savings, and money market accounts.

At June 30, 2005, the City had the following investments:

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Funds deposited in certificate of deposits, savings, and money market accounts	\$1,917,501	\$1,917,501

**CITY OF GRUNDY CENTER**

**Notes to Financial Statements**

**June 30, 2005**

**(3) Bonds and Notes Payable**

The annual debt service requirements to maturity of general obligation bonds and tax increment financing bonds are as follows:

	<b>General Obligation Bonds</b>		<b>Tax Increment Financing (TIF) Bonds</b>		<b>Total</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2006	\$ 48,000	\$ 18,340	\$ 34,295	\$ 29,898	\$ 82,295	\$ 48,238
2007	48,000	17,740	52,165	30,159	100,165	47,899
2008	48,000	17,110	55,583	26,741	103,583	43,851
2009	53,000	16,450	59,305	23,020	112,305	39,470
2010	53,000	15,530	63,244	19,080	116,244	34,610
2011	50,000	14,570	57,088	14,872	107,087	29,442
2012	55,000	12,120	41,474	11,794	96,474	23,914
2013	55,000	9,370	36,722	9,437	91,722	18,807
2014	60,000	6,565	38,841	7,318	98,841	13,883
2015	65,000	3,445	41,084	5,074	106,084	8,519
2016	-	-	29,456	2,931	29,456	2,931
2017	-	-	32,765	1,336	32,765	1,336
	<u>\$535,000</u>	<u>\$131,240</u>	<u>\$542,022</u>	<u>\$181,660</u>	<u>\$1,077,021</u>	<u>\$312,900</u>

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City, however the debt is subject to the constitutional debt limitation of the City.

**CITY OF GRUNDY CENTER**

**Notes to Financial Statements**

**June 30, 2005**

**(4) Capital Leases**

The City of Grundy Center is the lessee of various equipment under capital leases through the fiscal year ending June 30, 2010, with interest rates ranging from 4.00% to 7.00%. Minimum future lease payments under capital leases as of June 30, 2005 for each of the next five years are:

June 30, 2006	\$ 37,122
June 30, 2007	30,517
June 30, 2008	30,517
June 30, 2009	30,517
June 30, 2010	<u>22,888</u>
Total minimum lease payments	151,561
Less amount representing interest	<u>13,551</u>
Present value of net minimum lease payments	<u>\$ 138,010</u>

**(5) Interfund Loan**

The City has authorized the use of Enterprise Fund - Sewer Reserve resources to help finance the construction of the new city hall building. At June 30, 2005, \$181,259 is due from the General Fund - General Government. Interest is to be charged at the rate of 3.5% on all outstanding balances. The loan is to be repaid from annual department appropriations of approximately \$21,500.

The City has authorized the use of Enterprise Fund - Sanitation Reserve resources to help finance the construction of public improvements in the Borden Business Park. At June 30, 2005, \$3,589 is due from the Special Assessments - Capital Projects Fund. The loan is to be repaid from special assessment collections collected through the special assessment to Borden Business Park property owners.

The City has authorized the use of Enterprise Fund - Sanitation Reserve, Enterprise Fund - Sewer Reserve, and Enterprise Fund - Water Reserve resources to help finance the Special Assessments - Capital Projects Fund. At June 30, 2005, \$49,030 is due from the Capital Projects - Special Assessments Fund. The loan is expected to be repaid from annual special assessment collections from property owners of the Blue Sky Development.

**(6) Deficit Fund Balance**

The following fund-accounts had deficit fund balances at June 30, 2005:

Special Revenue - Special Assessments	\$ (12,140)
Capital Projects - Sports Recreation Complex	(51,083)
Capital Projects - Housing Rehabilitation	(213)
Visioning Grant Fund	(423)

## CITY OF GRUNDY CENTER

### Notes to Financial Statements

June 30, 2005

#### (7) 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 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.90%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$37,941, \$39,253, and \$33,321, respectively, equal to the required contributions for each year.

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all permanent employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plan), subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

#### (8) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours based on the length of employment. Sick leave is not a vested benefit. It is payable when used and may be accumulated at the rate of nine days per year, to a maximum of 90 days. At termination, all sick leave accumulated but unused is forfeited, except for employees with 15 years of full-time employment shall be entitled to 20% of the value of their sick leave balance. Vacation is payable when used and must be used within 12.5 months of the vesting date. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2005, is \$32,767.

**CITY OF GRUNDY CENTER**

**Notes to Financial Statements**

**June 30, 2005**

**(9) Early Retirement Policy**

In September, 1990, the City of Grundy Center adopted an early retirement policy for the Public Works Director. This employee, after reaching the age of 62, whose combined age and years of service to the City as an employee equal or exceed the number 92 will, in the event of their retirement prior to age 65, be entitled to receive from the City full medical insurance benefits until they reach the age of 65. Benefits provided by such insurance will be comparable to those available to Bargaining Unit employees within the City during the applicable period of time.

The estimated liability for these benefits has not been determined.

**(10) Self Insured Health Insurance Costs**

Effective January 1, 1999 the City increased its group health insurance plan deductible from \$100/200 for single/family to \$1,000/2,000, respectively. In order to offset employee out-of-pocket costs, the City has agreed to reimburse 80% of the deductible increase. This plan is administered through its commercial insurance carrier and is funded on a monthly basis.

**(11) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Employer's Contribution	\$ 205,536
General	Enterprise: Sanitation Reserve	28,426
Special Revenue: Special Revenue	General	6,402
Special Revenue: Special Assessments	Debt Service	64,811
Enterprise: Ambulance Trust Fund	Capital Projects: Equipment Reserve	2,000
Enterprise: Ambulance Trust Fund	Capital Projects: Fire Equipment Reserve	5,000
Capital Projects: Equipment Reserve	General	6,069

**CITY OF GRUNDY CENTER**

**Notes to Financial Statements**

**June 30, 2005**

**(11) Interfund Transfers (continued)**

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Capital Projects: Police Reserve	General	5,000
Enterprise: Water Reserve	Special Revenue: Special Assessments	17,978
Enterprise: Sewer Reserve	Special Revenue: Special Assessments	17,978
Enterprise: Sanitation Reserve	Special Revenue: Special Assessments	<u>20,877</u>
		<u>\$ 380,077</u>

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

**(12) Risk Management**

The City of Grundy Center 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.

**(13) Construction Project Commitments**

The City entered into a contract totaling \$61,790 to repaint the water tower. There were no disbursements through June 30, 2005 resulting in a commitment as of June 30, 2005 of \$61,790.

The City entered into a contract totaling \$252,108 for the Grundy Center Business Park. There were no disbursements through June 30, 2005 resulting in a commitment as of June 30, 2005 of \$252,108.

The City has entered into contracts totaling \$71,907 for the Grundy Center Housing Rehabilitation Program. There were no disbursements through June 30, 2005 resulting in a commitment as of June 30, 2005 of \$71,907.

**CITY OF GRUNDY CENTER**

**Notes to Financial Statements**

**June 30, 2005**

**(14) Landfill Commitment**

The City of Grundy Center participates in a 28E organization with Grundy County and other cities in Grundy County. This organization is the Grundy County Landfill Commission. The estimated cost of closure and postclosure care is approximately \$899,000 of which \$799,354 has been funded. The City of Grundy Center will share in these costs on a per capita basis with other participants in the 28E organization. The City's share of those costs is \$31,488.

This information is an integral part of the accompanying financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF GRUNDY CENTER**

**Budgetary Comparison Schedule of Receipts, Disbursements, and  
Changes in Balances - Budget to Actual (Cash Basis) -  
All Governmental Funds and Proprietary Funds  
Required Supplementary Information**

Year Ended June 30, 2005

	<b>Govern- mental Funds <u>Actual</u></b>	<b>Proprietary Funds <u>Actual</u></b>	<b>Less Funds Not Required to be Budgeted</b>	<b><u>Net</u></b>
<b>RECEIPTS:</b>				
Property tax	\$ 769,143	\$ -	\$ -	\$ 769,143
Tax increment financing collections	86,642	-	-	86,642
Other city tax	144,166	-	-	144,166
Licenses and permits	7,928	-	-	7,928
Use of money and property	47,291	81,478	-	128,769
Intergovernmental	340,691	27,205	-	367,896
Charges for services	74,076	875,261	-	949,337
Special assessments	65,316	-	-	65,316
Miscellaneous	<u>117,547</u>	<u>58,209</u>	<u>-</u>	<u>175,756</u>
Total receipts	<u>1,652,800</u>	<u>1,042,153</u>	<u>-</u>	<u>2,694,953</u>
<b>DISBURSEMENTS:</b>				
Public safety	275,918	-	-	275,918
Public works	406,261	-	-	406,261
Health and social services	4,020	-	-	4,020
Culture and recreation	310,284	-	-	310,284
Community and economic development	139,621	-	-	139,621
General government	167,467	-	-	167,467
Debt service	51,903	-	-	51,903
Capital projects	445,228	-	-	445,228
Business type activities	<u>-</u>	<u>945,974</u>	<u>-</u>	<u>945,974</u>
Total disbursements	<u>1,800,702</u>	<u>945,974</u>	<u>-</u>	<u>2,746,676</u>
Excess (deficiency) of receipts over (under) disbursements	(147,902)	96,179	-	(51,723)
<b>OTHER FINANCING SOURCES, NET</b>	<u>102,457</u>	<u>66,907</u>	<u>-</u>	<u>169,364</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(45,445)	163,086	-	117,641
<b>BALANCES BEGINNING OF YEAR</b>	<u>786,990</u>	<u>1,085,601</u>	<u>-</u>	<u>1,872,591</u>
<b>BALANCES END OF YEAR</b>	<u>\$ 741,545</u>	<u>\$1,248,687</u>	<u>\$ -</u>	<u>\$1,990,232</u>

<u>Budgeted Amounts</u>		<u>Final to</u>
<u>Original</u>	<u>Final</u>	<u>Total</u>
		<u>Variance</u>
\$ 767,172	\$ 767,172	\$ 1,971
90,000	90,000	(3,358)
144,733	144,733	(567)
8,050	8,050	(122)
115,698	115,698	13,071
561,062	561,062	(193,166)
948,641	948,641	696
35,000	35,000	30,316
<u>186,155</u>	<u>186,155</u>	<u>(10,399)</u>
<u>2,856,511</u>	<u>2,856,511</u>	<u>(161,558)</u>
282,199	282,199	6,281
348,073	348,073	(58,188)
4,020	4,020	-
299,276	299,276	(11,008)
39,920	39,920	(99,701)
189,183	189,183	21,716
150,553	150,553	98,650
998,060	998,060	552,832
<u>1,245,383</u>	<u>1,245,383</u>	<u>299,409</u>
<u>3,556,667</u>	<u>3,556,667</u>	<u>809,991</u>
(700,156)	(700,156)	648,433
<u>440,000</u>	<u>440,000</u>	<u>(270,636)</u>
(260,156)	(260,156)	377,797
<u>1,343,862</u>	<u>1,343,862</u>	<u>528,729</u>
<u>\$1,083,706</u>	<u>\$1,083,706</u>	<u>\$ 906,526</u>

## **CITY OF GRUNDY CENTER**

### **Notes to Required Supplementary Information- Budgetary Reporting**

**Year Ended June 30, 2005**

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary 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 or fund type. These ten functional areas 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, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and 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 there were no budget amendments.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the culture and recreation, public works, and community and economic development functions.

**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF GRUNDY CENTER**

**Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances**

**Nonmajor Governmental Funds**

**As of and For the Year Ended June 30, 2005**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals</u>
<b>RECEIPTS:</b>				
Property tax	\$ 86,642	\$ 66,563	\$ -	\$ 153,205
Other city tax	-	-	69,810	69,810
Use of money and property	1,318	620	13,441	15,379
Intergovernmental	-	-	83,540	83,540
Special assessments	-	65,316	-	65,316
Charges for services	-	-	17,488	17,488
Miscellaneous	<u>11,164</u>	<u>-</u>	<u>19,460</u>	<u>30,624</u>
Total receipts	<u>99,124</u>	<u>132,499</u>	<u>203,739</u>	<u>435,362</u>
 <b>DISBURSEMENTS:</b>				
Operating:				
Public safety	-	-	2,760	2,760
Public works	-	15,300	-	15,300
Culture and recreation	11,836	-	-	11,836
Community and economic development	3,320	-	124,189	127,509
Debt service	-	51,903	-	51,903
Capital projects	<u>88,771</u>	<u>-</u>	<u>150,003</u>	<u>238,774</u>
Total disbursements	<u>103,927</u>	<u>67,203</u>	<u>276,952</u>	<u>448,082</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(4,803)</u>	<u>65,296</u>	<u>(73,213)</u>	<u>(12,720)</u>
 <b>OTHER FINANCING SOURCES (USES):</b>				
Sale of property	90	-	-	90
Operating transfers in	64,811	-	148,819	213,630
Operating transfers out	<u>(56,834)</u>	<u>(64,811)</u>	<u>(7,000)</u>	<u>(128,645)</u>
Net other financing sources (uses)	<u>8,067</u>	<u>(64,811)</u>	<u>141,819</u>	<u>85,075</u>

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals</u>
<b>NET CHANGE IN CASH BALANCE</b>	3,264	485	68,606	72,355
<b>CASH BALANCE, BEGINNING</b>	<u>71,961</u>	<u>3,373</u>	<u>107,180</u>	<u>182,514</u>
<b>CASH BALANCE, ENDING</b>	<u>\$ 75,225</u>	<u>\$ 3,858</u>	<u>\$ 175,786</u>	<u>\$ 254,869</u>
<b>CASH BASIS FUND BALANCE:</b>				
Reserved:				
Debt service	\$ -	\$ 3,858	\$ -	\$ 3,858
Unreserved:				
Special revenue funds	75,225	-	-	75,225
Capital project funds	<u>-</u>	<u>-</u>	<u>175,786</u>	<u>175,786</u>
Total cash basis fund balance	<u>\$ 75,225</u>	<u>\$ 3,858</u>	<u>\$ 175,786</u>	<u>\$ 254,869</u>

**CITY OF GRUNDY CENTER**

**Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances**

**Nonmajor Enterprise Funds**

**As of and For the Year Ended June 30, 2005**

	<u>Water Reserve</u>	<u>Ambulance</u>	<u>Ambulance Trust</u>	<u>Totals</u>
<b>OPERATING RECEIPTS:</b>				
Intergovernmental	\$ -	\$ 6,210	\$ 6,558	\$ 12,768
Charges for services	18,000	90,130	-	108,130
Miscellaneous	-	2,010	7,418	9,428
	<u>18,000</u>	<u>98,350</u>	<u>13,976</u>	<u>130,326</u>
Total operating receipts				
<b>OPERATING DISBURSEMENTS:</b>				
Business type activities:				
Water	8,613	-	-	8,613
Ambulance	-	93,745	48,688	142,433
	<u>8,613</u>	<u>93,745</u>	<u>48,688</u>	<u>151,046</u>
Total operating disbursements				
Excess (deficiency) of operating receipts over (under) disbursements	<u>9,387</u>	<u>4,605</u>	<u>(34,712)</u>	<u>(20,720)</u>
<b>NONOPERATING RECEIPTS (DISBURSEMENTS):</b>				
Interest on investments	3,652	1,242	580	5,474
Debt service	-	-	-	-
	<u>3,652</u>	<u>1,242</u>	<u>580</u>	<u>5,474</u>
Net nonoperating receipts (disbursements)				
Excess (deficiency) of receipts over (under) disbursements	<u>13,039</u>	<u>5,847</u>	<u>(34,132)</u>	<u>(15,246)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	17,978	-	7,000	24,978
Operating transfers out	-	-	-	-
	<u>17,978</u>	<u>-</u>	<u>7,000</u>	<u>24,978</u>
Net other financing sources (uses)				

	<u>Water Reserve</u>	<u>Ambulance</u>	<u>Ambulance Trust</u>	<u>Totals</u>
<b>NET CHANGE IN CASH BALANCE</b>	31,017	5,847	(27,132)	9,732
<b>CASH BALANCE, BEGINNING</b>	<u>57,015</u>	<u>77,005</u>	<u>67,935</u>	<u>201,955</u>
<b>CASH BALANCE, ENDING</b>	<u>\$ 88,032</u>	<u>\$ 82,852</u>	<u>\$ 40,803</u>	<u>\$ 211,687</u>
<b>CASH BASIS FUND BALANCE:</b>				
Reserved:				
Capital improvement	\$ 88,032	\$ -	\$ 40,803	\$ 128,835
Unreserved	<u>-</u>	<u>82,852</u>	<u>-</u>	<u>82,852</u>
Total cash basis fund balance	<u>\$ 88,032</u>	<u>\$ 82,852</u>	<u>\$ 40,803</u>	<u>\$ 211,687</u>

**CITY OF GRUNDY CENTER**

**Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances**

**Nonmajor Special Revenue Funds**

**As of and For the Year Ended June 30, 2005**

	<u>Library Gift Trust</u>	<u>Park Board Gift Trust</u>	<u>Community Center Gift Trust</u>	<u>Ambulance Gift Trust</u>
<b>RECEIPTS:</b>				
Property tax	\$ -	\$ -	\$ -	\$ -
Use of money and property	914	204	98	60
Miscellaneous	<u>8,408</u>	<u>117</u>	<u>254</u>	<u>1,300</u>
Total receipts	<u>9,322</u>	<u>321</u>	<u>352</u>	<u>1,360</u>
<b>DISBURSEMENTS:</b>				
Operating:				
Culture and recreation	11,836	-	-	-
Community and economic development	-	-	-	-
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>11,836</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(2,514)</u>	<u>321</u>	<u>352</u>	<u>1,360</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of property	90	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>90</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN CASH BALANCE</b>	(2,424)	321	352	1,360
<b>CASH BALANCE, BEGINNING</b>	<u>49,223</u>	<u>11,676</u>	<u>4,997</u>	<u>4,120</u>
<b>CASH BALANCE, ENDING</b>	<u>\$ 46,799</u>	<u>\$ 11,997</u>	<u>\$ 5,349</u>	<u>\$ 5,480</u>
<b>CASH BASIS FUND BALANCE:</b>				
Unreserved:				
Special revenue funds	<u>\$ 46,799</u>	<u>\$ 11,997</u>	<u>\$ 5,349</u>	<u>\$ 5,480</u>

<u>Tree Gift Trust</u>	<u>Visioning Grant</u>	<u>Admin- Economic Dev Gift</u>	<u>TIF Projects</u>	<u>Special Assessments Projects</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ 86,642	\$ -	\$ 86,642
42	-	-	-	-	1,318
<u>535</u>	<u>-</u>	<u>550</u>	<u>-</u>	<u>-</u>	<u>11,164</u>
<u>577</u>	<u>-</u>	<u>550</u>	<u>86,642</u>	<u>-</u>	<u>99,124</u>
-	-	-	-	-	11,836
2,447	323	550	-	-	3,320
<u>-</u>	<u>-</u>	<u>-</u>	<u>80,794</u>	<u>7,977</u>	<u>88,771</u>
<u>2,447</u>	<u>323</u>	<u>550</u>	<u>80,794</u>	<u>7,977</u>	<u>103,927</u>
<u>(1,870)</u>	<u>(323)</u>	<u>-</u>	<u>5,848</u>	<u>(7,977)</u>	<u>(4,803)</u>
-	-	-	-	-	90
-	-	-	-	64,811	64,811
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(56,834)</u>	<u>(56,834)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,977</u>	<u>8,067</u>
(1,870)	(323)	-	5,848	-	3,264
<u>3,172</u>	<u>(100)</u>	<u>-</u>	<u>11,013</u>	<u>(12,140)</u>	<u>71,961</u>
<u>\$ 1,302</u>	<u>\$ (423)</u>	<u>\$ -</u>	<u>\$ 16,861</u>	<u>\$ (12,140)</u>	<u>\$ 75,225</u>
<u>\$ 1,302</u>	<u>\$ (423)</u>	<u>\$ -</u>	<u>\$ 16,861</u>	<u>\$ (12,140)</u>	<u>\$ 75,225</u>

**CITY OF GRUNDY CENTER**

**Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances**

**Nonmajor Capital Projects Funds**

**As of and For the Year Ended June 30, 2005**

	<u>Sports Recreation Complex</u>	<u>Swimming Pool Reserve</u>	<u>Equipment Reserve</u>	<u>Fire Equipment Reserve</u>
<b>RECEIPTS:</b>				
Other city taxes	\$ -	\$ -	\$ -	\$ -
Use of money and property	10,000	73	1,758	858
Intergovernmental	-	-	-	-
Charges for services	-	-	-	17,488
Miscellaneous	<u>4,169</u>	<u>5,000</u>	<u>5,242</u>	<u>-</u>
Total receipts	<u>14,169</u>	<u>5,073</u>	<u>7,000</u>	<u>18,346</u>
<b>DISBURSEMENTS:</b>				
Public safety	-	-	-	-
Community and economic development	-	-	-	-
Capital projects	<u>2,279</u>	<u>9,974</u>	<u>137,750</u>	<u>-</u>
Total disbursements	<u>2,279</u>	<u>9,974</u>	<u>137,750</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>11,890</u>	<u>(4,901)</u>	<u>(130,750)</u>	<u>18,346</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	-	-	143,819	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>(2,000)</u>	<u>(5,000)</u>
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>141,819</u>	<u>(5,000)</u>
<b>NET CHANGE IN CASH BALANCE</b>	11,890	(4,901)	11,069	13,346
<b>CASH BALANCE, BEGINNING</b>	<u>(62,973)</u>	<u>8,477</u>	<u>87,772</u>	<u>38,255</u>
<b>CASH BALANCE, ENDING</b>	<u>\$ (51,083)</u>	<u>\$ 3,576</u>	<u>\$ 98,841</u>	<u>\$ 51,601</u>
<b>CASH BASIS FUND BALANCE:</b>				
Unreserved:				
Capital project funds	<u>\$ (51,083)</u>	<u>\$ 3,576</u>	<u>\$ 98,841</u>	<u>\$ 51,601</u>

<u>Grundy Center Police Reserve</u>	<u>Grundy Center Fire Auxiliary</u>	<u>Community Betterment</u>	<u>Housing Rehabili- tation</u>	<u>D &amp; D Program</u>	<u>Totals</u>
\$ -	\$ -	\$ 69,810	\$ -	\$ -	\$ 69,810
21	-	731	-	-	13,441
-	-	-	83,540	-	83,540
-	-	-	-	-	17,488
<u>4,549</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>19,460</u>
<u>4,570</u>	<u>-</u>	<u>71,041</u>	<u>83,540</u>	<u>-</u>	<u>203,739</u>
2,760	-	-	-	-	2,760
-	-	55,730	67,943	516	124,189
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,003</u>
<u>2,760</u>	<u>-</u>	<u>55,730</u>	<u>67,943</u>	<u>516</u>	<u>276,952</u>
<u>1,810</u>	<u>-</u>	<u>15,311</u>	<u>15,597</u>	<u>(516)</u>	<u>(73,213)</u>
5,000	-	-	-	-	148,819
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,000)</u>
<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,819</u>
6,810	-	15,311	15,597	(516)	68,606
<u>1,570</u>	<u>90</u>	<u>43,751</u>	<u>(15,810)</u>	<u>6,048</u>	<u>107,180</u>
<u>\$ 8,380</u>	<u>\$ 90</u>	<u>\$ 59,062</u>	<u>\$ (213)</u>	<u>\$ 5,532</u>	<u>\$ 175,786</u>
<u>\$ 8,380</u>	<u>\$ 90</u>	<u>\$ 59,062</u>	<u>\$ (213)</u>	<u>\$ 5,532</u>	<u>\$ 175,786</u>

**CITY OF GRUNDY CENTER**

**Statement of Indebtedness**

**Year Ended June 30, 2005**

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation loans:			
Rural Economic Development Loan	August 12, 1999	0.00%	\$ 330,000
Storm Sewer Project Loan	June 1, 2002	3.75%-5.30%	400,000
Total			
General obligation note:			
Patrol Car Loan	April 22, 2003	4.00%	6,000
Urban renewal tax increment financing (TIF) revenue bonds:			
Urban renewal tax increment financing (TIF) revenue bond		8.00%	200,000
Urban renewal tax increment financing (TIF) revenue bond		6.50%	135,000
Urban renewal tax increment financing (TIF) revenue bond		6.50%	55,000
Urban renewal tax increment financing (TIF) revenue bond		6.50%	57,000
Urban renewal tax increment financing (TIF) revenue bond		5.25%	268,000
Total			
Capital lease obligations:			
Capital lease - excavator	September 21, 1999	6.00%	115,800
Capital lease - Cat loader	December 1, 2000	6.50%	67,883
Capital lease - heating/cooling	March 7, 2005	4.10%	137,750
Total			

<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>
\$ 198,000	\$ -	\$ 33,000	\$ 165,000	\$ -	\$ -
<u>385,000</u>	<u>-</u>	<u>15,000</u>	<u>370,000</u>	<u>19,413</u>	<u>-</u>
<u>\$ 583,000</u>	<u>\$ -</u>	<u>\$ 48,000</u>	<u>\$ 535,000</u>	<u>\$ 19,413</u>	<u>\$ -</u>
<u>\$ 2,040</u>	<u>\$ -</u>	<u>\$ 2,040</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 116,370	\$ -	\$ 24,432	\$ 91,938	\$ 8,832	\$ -
110,735	-	10,123	100,612	7,037	-
47,917	-	7,480	40,437	2,995	-
46,784	-	5,749	41,035	3,149	-
<u>268,000</u>	<u>-</u>	<u>-</u>	<u>268,000</u>	<u>12,937</u>	<u>-</u>
<u>\$ 589,806</u>	<u>\$ -</u>	<u>\$ 47,784</u>	<u>\$ 542,022</u>	<u>\$ 34,950</u>	<u>\$ -</u>
\$ 6,650	\$ -	\$ 6,650	\$ -	\$ 67	\$ -
21,399	-	14,900	6,499	952	-
<u>-</u>	<u>137,750</u>	<u>6,239</u>	<u>131,511</u>	<u>1,391</u>	<u>-</u>
<u>\$ 28,049</u>	<u>\$ 137,750</u>	<u>\$ 27,789</u>	<u>\$ 138,010</u>	<u>\$ 2,410</u>	<u>\$ -</u>

**CITY OF GRUNDY CENTER**

**Bond and Note Maturities**

**June 30, 2005**

**General Obligation Loans**

<b>Year ending June 30,</b>	<b>Rural Economic Development Loan Issued August 12, 1999</b>		<b>Storm Sewer Project Loan Issued June 1, 2002</b>		<b>Total</b>
	<b>Principal</b>	<b>Interest Rates</b>	<b>Principal</b>	<b>Interest Rates</b>	
	2006	\$ 33,000	-	\$ 15,000	
2007	33,000	-	15,000	4.20%	48,000
2008	33,000	-	15,000	4.40%	48,000
2009	33,000	-	20,000	4.60%	53,000
2010	33,000	-	20,000	4.80%	53,000
2011	-	-	50,000	4.90%	50,000
2012	-	-	55,000	5.00%	55,000
2013	-	-	55,000	5.10%	55,000
2014	-	-	60,000	5.20%	60,000
2015	-	-	65,000	5.30%	65,000
	<u>\$ 165,000</u>		<u>\$370,000</u>		<u>\$535,000</u>

<b>Year ending June 30,</b>	<b>Urban Renewal Tax Increment Financing (TIF) Bonds</b>		<b>Urban Renewal Tax Increment Financing (TIF) Bonds</b>	
	<b>Principal</b>	<b>Interest Rates</b>	<b>Principal</b>	<b>Interest Rates</b>
	2006	\$ 14,869	8.00%	\$ 7,877
2007	14,856	8.00%	7,870	6.50%
2008	16,069	8.00%	8,390	6.50%
2009	17,380	8.00%	8,944	6.50%
2010	18,798	8.00%	9,535	6.50%
2011	9,966	8.00%	10,165	6.50%
2012	-	-	10,836	6.50%
2013	-	-	11,552	6.50%
2014	-	-	12,315	6.50%
2015	-	-	13,128	6.50%
2016	-	-	-	6.50%
2017	-	-	-	-
	<u>\$ 91,938</u>		<u>\$ 100,612</u>	

Urban Renewal Tax Increment Financing (TIF) Bonds		Urban Renewal Tax Increment Financing (TIF) Bonds		Urban Renewal Tax Increment Financing (TIF) Bonds		Total
Principal	Interest Rates	Principal	Interest Rates	Principal	Interest Rates	
\$ 5,582	6.50%	\$ 5,967	6.50%	\$ -	-	\$ 34,295
4,921	6.50%	6,146	6.50%	18,372	5.25%	52,165
5,246	6.50%	6,552	6.50%	19,326	5.25%	55,583
5,593	6.50%	6,985	6.50%	20,403	5.25%	59,305
5,962	6.50%	7,446	6.50%	21,503	5.25%	63,244
6,356	6.50%	7,939	6.50%	22,662	5.25%	57,088
6,777	6.50%	-	-	23,861	5.25%	41,474
-	-	-	-	25,170	5.25%	36,722
-	-	-	-	26,526	5.25%	38,841
-	-	-	-	27,956	5.25%	41,084
-	-	-	-	29,456	5.25%	29,456
-	-	-	-	32,765	5.25%	32,765
<u>\$ 40,437</u>		<u>\$ 41,035</u>		<u>\$ 268,000</u>		<u>\$ 542,022</u>

## CITY OF GRUNDY CENTER

Schedule of Receipts by Source and Disbursements by Function -  
All Governmental Funds

For the Last Four Years

	<u>Years Ended June 30,</u>			
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Receipts:				
Property tax	\$ 769,143	\$ 712,802	\$ 700,717	\$ 638,368
Tax increment financing collections	86,642	92,621	118,378	147,378
Other city tax	144,166	139,534	139,986	131,163
Licenses and permits	7,928	6,015	6,668	5,762
Use of money and property	128,769	44,224	133,458	152,242
Intergovernmental	367,896	415,472	285,994	355,442
Charges for service	949,337	846,648	743,558	754,548
Special assessments	65,316	36,762	75,606	43,880
Miscellaneous	<u>175,756</u>	<u>189,079</u>	<u>186,161</u>	<u>166,705</u>
Total	<u>\$ 2,694,953</u>	<u>\$ 2,483,157</u>	<u>\$ 2,390,526</u>	<u>\$ 2,395,488</u>
Operating:				
Public safety	\$ 275,918	\$ 269,802	\$ 307,759	\$ 316,532
Public works	406,261	449,217	323,180	148,572
Health and social services	4,020	4,020	4,020	-
Culture and recreation	310,284	291,491	280,383	270,610
Community and economic development	139,621	185,187	149,882	176,950
General government	167,467	173,380	169,494	187,456
Debt service	51,903	52,413	52,712	33,000
Capital projects	445,228	144,579	554,850	373,642
Business type activities	<u>945,974</u>	<u>917,373</u>	<u>813,870</u>	<u>909,296</u>
Total	<u>\$ 2,746,676</u>	<u>\$ 2,478,462</u>	<u>\$ 2,656,150</u>	<u>\$ 2,416,058</u>

See accompanying independent auditor's report.

**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  
Grundy Center, Iowa

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 Grundy Center, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated September 8, 2005, in which we rendered a qualified opinion as the financial statements omitted the Grundy Center Municipal Power & Light Company component unit. The financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Grundy Center'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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 Grundy Center's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 as defined above. However, we believe that the absence of adequate segregation of duties, as described in item II-A-05, is a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Grundy Center's financial statements are free of material misstatements, 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 Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005, 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 findings were necessarily audited. The findings involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved except for items III-G-05 and III-J-05.

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 Grundy Center and those parties to whom the City of Grundy Center 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 Grundy Center during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Clifton Gunderson LLP*

Cedar Rapids, Iowa  
September 8, 2005

**CITY OF GRUNDY CENTER**

**Schedule of Findings**

**Year Ended June 30, 2005**

**PART I: SUMMARY OF INDEPENDENT AUDITOR'S RESULTS**

1. A qualified opinion was issued on the financial statements.
2. A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements. The condition is not considered to be a material weakness.
3. The audit did not disclose any non-compliance that is material to the financial statements.

**PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

**II-A-05: Segregation of Duties**

**Criteria:**

The Organization should have adequate segregation of duties to provide for the accuracy and reliability of the financial statements.

**Condition:**

The Organization does not have adequate segregation of duties over all accounting transactions.

**Context:**

Internal controls that are in place could be averted, overridden, or not consistently implemented.

**Effect:**

As a result of this condition, there is a higher risk that errors or irregularities could occur and not be detected within a timely period.

**Cause:**

The Organization has a limited number of personnel performing accounting functions.

**Recommendation:**

When this condition exists, management's close supervision and review of accounting information is the best means of preventing or detecting errors and irregularities. We recommend the Organization review its operating procedures to obtain the maximum internal control possible under the circumstances.

**Management Response:**

With a limited number of office employees, segregation of duties is sometimes difficult. Management is aware of the lack of segregation of duties and has considered alternatives to improve the situation. Management is monitoring the situation and is segregating accounting duties where practical.

## CITY OF GRUNDY CENTER

### Schedule of Findings

Year Ended June 30, 2005

#### PART III: FINDINGS RELATED TO STATUTORY REPORTING

III-A-2005 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, 2005.

III-B-2005 Certified Budget - Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the Culture and Recreation, Public Works, and Community and Economic Development functions. 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 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.

III-C-2005 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-D-2005 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-E-2005 Business Transactions - We noted no business transactions between the City and City officials or employees.

III-F-2005 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should continue to be reviewed annually to insure that the coverage is adequate for current operations.

III-G-2005 Council Minutes - Although minutes of Council proceedings were published, the City did not publish disbursements by fund or a summary of all receipts.

Recommendation - The City should comply with Chapter 21 of the Code of Iowa and should publish minutes as required.

Response - We will publish and sign minutes as required.

Conclusion - Response accepted.

**CITY OF GRUNDY CENTER**

**Schedule of Findings**

**Year Ended June 30, 2005**

**PART III: FINDINGS RELATED TO STATUTORY REPORTING (CONTINUED)**

III-H-2005     Revenue Bonds - The municipal utility component unit of the City of Grundy Center is audited separately, therefore there are no revenue bonds reflected in these financial statements.

III-I-2005     Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

III-J-2005     Financial Condition - The City had deficit balances in the Special Revenue - Special Assessments, Capital Projects Fund - Sports Recreation Complex, Capital Projects Fund - Housing Rehabilitation Debt Service, and the Visioning Grant Fund.

Recommendation - The City should take appropriate action to return these funds to sound financial condition.

Response - We will make appropriate transfers to correct these deficits.

Conclusion - Response accepted.

**CITY OF GRUNDY CENTER**

**Audit Staff**

This audit was performed by:

William E. Murray, CPA, Audit Partner

Justin Zimmerman, CPA, Associate

Megan McDermott, CPA, Associate

Tonya Determan, Associate