



CITY OF GRUNDY CENTER, IOWA  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
June 30, 2007



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CITY OF GRUNDY CENTER

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jack Stumberg	Mayor	January 2008
Mike Oglesby	Council Member	January 2010
John Kramer	Council Member	January 2010
Rex VanWort	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, 2007, 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 \$3,754,163 and \$3,375,761, 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 \$378,402, and the ending enterprise funds balance would have been \$8,201,425.

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 accounting principles generally accepted in the United States of America

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, 2007, 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 December 18, 2007 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 considered in assessing the results of our audit

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 11 and 35 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 four years ended June 30, 2006 (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 Henderson LLP*

Cedar Rapids, Iowa  
December 18, 2007

## 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, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2007 Financial Highlights

Revenues of the City's governmental activities decreased 11.87% or approximately \$234,000 from fiscal 2006 to fiscal 2007. Property tax collections increased approximately \$85,500, intergovernmental revenues decreased approximately \$228,500, and miscellaneous revenues decreased approximately \$101,000.

Disbursements for governmental activities decreased 5.35% or approximately \$112,000 in fiscal 2007 from fiscal 2006. There was an increase of approximately \$108,000 in Capital Projects for the initial costs of the construction of the new aquatic facility. The Community and Economic Development program and Public Works decreased after having increased last fiscal year for special expenditures (see last year's report for more information).

The City's cash basis fund balance increased 13.0% or approximately \$82,800 from June 30, 2006 to June 30, 2007. The increase in assets can mainly be attributed to decreased expenditures in the General Fund.

### 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 the 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 five-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:

- 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.
- 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 Revenue 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 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 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 statement for proprietary funds is a statement of cash receipts, disbursements, and changes in cash balances.

**Government-wide Financial Analysis**

The City saw an increase in the Swimming Pool Reserve Fund as it transferred funds from the Sanitation Reserve Fund to help reduce the cost of the building of a new aquatic facility. The City continues to maintain reserves in the Road Use Tax Fund for the expected City share of repairs to Highway 14 within the city limits. These repairs have started and will be completed in the next fiscal year. The General Fund continues to carry a small balance; it has grown as management continues to control expenditures to match revenues.

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$635,203 to \$718,010. 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>Total</u>
		<u>Road Use Tax</u>	<u>TIF Projects</u>	<u>Swimming Pool Reserve</u>	<u>Other</u>	
<b>Cash Balance as of:</b>						
June 30, 2006	\$ 6,372	\$ 223,059	\$ 72,963	\$ 441	\$ 332,368	\$ 635,203
June 30, 2007	<u>63,674</u>	<u>220,921</u>	<u>34,603</u>	<u>34,621</u>	<u>364,191</u>	<u>718,010</u>
<b>Change in Balance Positive/Negative</b>	<u>\$ 57,302</u>	<u>\$ (2,138)</u>	<u>\$ (38,360)</u>	<u>\$ 34,180</u>	<u>\$ 31,823</u>	<u>\$ 82,807</u>

The City maintained the property tax millage for 2007. The lack of increase in millage for residential properties was offset by a combination of increased values offset by higher rollbacks on those properties. When the increased valuations are considered, the City collected an additional \$85,000 in property taxes for the General Fund, Special Revenue Fund, and Debt Service Fund.

The cost of all governmental activities this year was \$1,983,502 compared to \$2,095,623 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 \$1,501,727 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 \$977,736 compared to \$1,071,951 last year. This decrease in revenues was due to reduced ambulance collections and the one time fee of \$50,000 collected last fiscal year. Total disbursements decreased by \$74,170 from \$1,013,799 for fiscal year 2006 to \$939,629 for fiscal year 2007.

**Individual Major Government Fund Analysis**

At the end of the fiscal year the City of Grundy Center had a combined fund balance of \$718,010 in its Governmental Funds, which represents a positive change of \$82,807. The following are the highlights of the changes to the balances from last year's activities:

- The Road Use Tax Fund remained at the same level from the year before. The City, in conjunction with the State of Iowa and Grundy County, has begun improvements to Highway 14. This is expected to reduce the balance in this fund in the coming fiscal year
- The City spent over \$250,000 towards the contract with Burbach Aquatics and their work on the design and construction of a new family aquatic center.

- The General Fund was helped by a significant reduction in expenditures for the police department as the force went from four officers to three. These savings were retained in the General Fund to build its ending year balance.

**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 of over \$70,000.
- The Sewer Fund has entered a contract for the update of the sewer treatment plant. The plant was originally built in 1983 and many of its components are now reaching the end of their useful life.
- The Sanitation Reserve Fund carries a balance for the post-closure costs for the landfill. The Grundy County Board of Supervisors has the total estimated post-closure amount in reserves as well. Therefore, the City chose to transfer \$150,000 from this fund to the Pool Reserve Fund for construction of the new aquatic center.

**Budgetary Highlights**

During the year the budget was amended once. The following program areas amended their budget limits: Community and Economic Development increased their budget and Capital Projects was decreased.

**Debt Administration**

As of June 30, 2007, the City of Grundy Center had approximately \$983,000 in bonds and other long-term debt. This amount is approximately \$131,000 less than a year ago as is shown below.

**Outstanding Debt at Year-End  
(Expressed in Thousands)**

	<u>2007</u>	<u>2006</u>
General Obligation Bonds - Sanitary Sewers	\$ 340	\$ 355
General Obligation Bonds - Fire Station	99	132
Urban Renewal Tax Increment Financing Revenue Bonds	<u>413</u>	<u>496</u>
<b>Total</b>	<b><u>\$ 852</u></b>	<b><u>\$ 983</u></b>

Debt decreased in the last 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 \$5,400,000.

**Economic Factors and Next Year's Budget and Rates**

The Grundy Center City Council didn't take action on next year's budget (FY2008) by the March 15, 2007 deadline. Due to publishing problems caused by bad weather, the budget was passed in April. 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, the pay raise for employees and the desire to contain property taxes as much as possible before the increases for bonding of the aquatic center take effect.

The budget for fiscal year 2008 was increased by over \$990,000. The increase was a combination of increases for the three capital projects (Road Use Tax up \$115,000, Capital Projects up \$431,000, and Business Type Enterprises up \$477,000) and a decrease of \$30,000 to Public Safety.

Although the budget was increased, the tax levy rate was decreased from \$15.22187 per thousand dollars of taxable valuation to \$14.514541 per thousand dollars of taxable valuation.

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:	<u>03/04</u>	<u>04/05</u>	<u>05/06</u>	<u>06/07</u>	<u>07/08</u>
Assessed value	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Rollback	51.3874 %	48.4558 %	47.9642 %	45.9960 %	45.5596 %
Taxable value	51,387	48,456	47,964	5,996	45,560
Tax rate per \$1,000	14.21387	14.72137	15.22187	15.22187	14.51541
Calculated tax	730	713	730	700	661
% of total tax bill	39.296 %	38.523 %	38.270 %	38.270 %	37.850 %

Fiscal year 2008 (ending June 30, 2008) will be a year of significant changes for the City. There are three major projects that will be completed during the year or shortly thereafter. Also, the minimum wage increase from \$5.15/hour to \$6.20/hour and then \$7.25/hour will have an impact on the budgets of several departments.

The largest of the three projects is the construction of a new aquatic center where the old swimming pool was located. The total budget for this project is over \$3.3 million. The vast majority of this expense will be paid back over time with a combination of revenues from a general obligation bond and a tax increment financing bond. Grants, donation and internal fund transfers will be used as well to complete the funding necessary.

During the spring of 2007 the State of Iowa, Grundy County, and City of Grundy Center jointly undertook the repaving of approximately seven miles of IA 14. The State of Iowa was responsible for engineering the project and the Grundy County Engineer's Office managed the project on a day to day basis. The estimated cost to the City of Grundy Center is \$134,000 which will reduce the balance in the Road Use Tax Fund to under \$50,000. In the past this fund has been used to help buy trucks used for snow plowing and other road maintenance projects. This will become more difficult due to the reduced balance of the fund.

The third project to be undertaken is a major update to the sewer treatment facility which is now over twenty five years old. Including engineering costs the projected total cost is approximately \$700,000. While the sewer treatment fund and sewer treatment reserve fund have nearly this amount built up, it is anticipated that the City will seek a loan from the State Department of Natural Resources (IDNR). Their loan program offers low interest loans that currently are at or below the interest the City can earn on its investments thus allowing the City to effectively use the IDNR funds at no cost.

**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, 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, 2007

	Disbursements	Program Receipts		
		Charges for Services	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
<b>FUNCTIONS/PROGRAMS:</b>				
Governmental activities:				
Public safety	\$ 262,614	\$ 6,009	\$ 22,418	\$ -
Public works	451,869	1,440	216,361	-
Health and social services	4,020	-	-	-
Culture and recreation	290,401	57,009	42,621	-
Community and economic development	181,294	1,571	37,456	-
General government	177,220	3,595	40	-
Debt service	50,740	-	-	-
Capital Projects	565,344	-	-	93,255
Total governmental activities	<u>1,983,502</u>	<u>69,624</u>	<u>318,896</u>	<u>93,255</u>
Business type activities:				
Water	418,877	469,539	10,788	-
Sewer	270,540	214,367	45,962	-
Sanitation	200,455	218,818	-	-
Ambulance	49,757	38,910	12,285	-
Total business type activities	<u>939,629</u>	<u>941,634</u>	<u>69,035</u>	<u>-</u>
Total	<u>2,923,131</u>	<u>1,011,258</u>	<u>387,931</u>	<u>93,255</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 purpose				
Unrestricted interest on investments				

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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (234,187)	\$ -	\$ (234,187)
(234,068)	-	(234,068)
(4,020)	-	(4,020)
(190,771)	-	(190,771)
(142,267)	-	(142,267)
(173,585)	-	(173,585)
(50,740)	-	(50,740)
<u>(472,089)</u>	<u>-</u>	<u>(472,089)</u>
<u>(1,501,727)</u>	<u>-</u>	<u>(1,501,727)</u>
-	61,450	61,450
-	(10,211)	(10,211)
-	18,363	18,363
-	1,438	1,438
<u>-</u>	<u>71,040</u>	<u>71,040</u>
<u>(1,501,727)</u>	<u>71,040</u>	<u>(1,430,687)</u>
582,522	-	582,522
231,304	-	231,304
113,161	-	113,161
65,157	-	65,157
7,894	-	7,894
175,930	-	175,930
25,634	-	25,634
9,098	-	9,098
28,411	71,266	99,677

(continued)

CITY OF GRUNDY CENTER

Statement of Activities and Net Assets - Cash Basis

As of and for the Year Ended June 30, 2007

	<u>Program Receipts</u>			
	<u>Disburse- ments</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>
Rents				
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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
-	17,248	17,248
19,500	33,585	53,085
14,168	6,506	20,674
<u>311,755</u>	<u>(311,755)</u>	<u>-</u>
<u>1,584,534</u>	<u>(183,150)</u>	<u>1,401,384</u>
82,807	(112,110)	(29,303)
<u>635,203</u>	<u>1,425,689</u>	<u>2,060,892</u>
<u>\$ 718,010</u>	<u>\$ 1,313,579</u>	<u>\$ 2,031,589</u>
\$ 220,921	\$ -	\$ 220,921
41,917	-	41,917
5,252	-	5,252
386,246	718,267	1,104,513
<u>63,674</u>	<u>595,312</u>	<u>658,986</u>
<u>\$ 718,010</u>	<u>\$ 1,313,579</u>	<u>\$ 2,031,589</u>

The accompanying notes are an integral part of 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, 2007

	<u>Special Revenue</u>		
	<u>General</u>	<u>Road Use Tax</u>	<u>TIF Projects</u>
<b>RECEIPTS:</b>			
Property tax	\$ 582,522	\$ -	\$ -
Tax increment financing collections	-	-	113,161
Other city tax	93,527	-	-
Licenses and permits	5,206	-	-
Use of money and property	34,826	-	1,786
Intergovernmental	29,530	216,361	-
Special assessments	-	-	-
Charges for services	36,142	-	-
Miscellaneous	45,227	-	-
	<u>826,980</u>	<u>216,361</u>	<u>114,947</u>
Total receipts			
	<u>826,980</u>	<u>216,361</u>	<u>114,947</u>
<b>DISBURSEMENTS:</b>			
Operating:			
Public safety	262,149	-	-
Public works	217,920	218,499	-
Health and social services	4,020	-	-
Culture and recreation	274,447	-	-
Community and economic development	10,786	-	-
General government	177,220	-	-
Debt service	-	-	-
Capital Projects	-	-	207,807
	<u>946,542</u>	<u>218,499</u>	<u>207,807</u>
Total disbursements			
	<u>946,542</u>	<u>218,499</u>	<u>207,807</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(119,562)</u>	<u>(2,138)</u>	<u>(92,860)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of property	-	-	19,500
Operating transfers in	194,555	-	35,000
Operating transfers out	(17,691)	-	-
	<u>176,864</u>	<u>-</u>	<u>54,500</u>
Net other financing sources (uses)			
	<u>176,864</u>	<u>-</u>	<u>54,500</u>

<u>Capital Projects</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Totals</u>
<u>Swimming Pool Reserve</u>		
\$ -	\$ 296,461	\$ 878,983
-	-	113,161
-	88,455	181,982
-	-	5,206
1,511	19,121	57,244
-	42,436	288,327
-	25,634	25,634
-	24,075	60,217
<u>1,545</u>	<u>77,528</u>	<u>124,300</u>
<u>3,056</u>	<u>573,710</u>	<u>1,735,054</u>
-	465	262,614
-	15,450	451,869
-	-	4,020
-	15,954	290,401
-	170,508	181,294
-	-	177,220
-	50,740	50,740
<u>268,876</u>	<u>88,661</u>	<u>565,344</u>
<u>268,876</u>	<u>341,778</u>	<u>1,983,502</u>
<u>(265,820)</u>	<u>231,932</u>	<u>(248,448)</u>
-	-	19,500
300,000	72,794	602,349
<u>-</u>	<u>(272,903)</u>	<u>(290,594)</u>
<u>300,000</u>	<u>(200,109)</u>	<u>331,255</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, 2007

	<u>Special Revenue</u>		
	<u>General</u>	<u>Road Use Tax</u>	<u>TIF Projects</u>
Net change in cash balance	57,302	(2,138)	(38,360)
Cash balance, beginning	<u>6,372</u>	<u>223,059</u>	<u>72,963</u>
Cash balance, ending	<u>\$ 63,674</u>	<u>\$ 220,921</u>	<u>\$ 34,603</u>
Cash Basis Fund Balance:			
Reserved:			
Debt service	\$ -	\$ -	\$ -
Unreserved:			
General	63,674	-	-
Special revenue funds	-	220,921	34,603
Capital project funds	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balance	<u>\$ 63,674</u>	<u>\$ 220,921</u>	<u>\$ 34,603</u>

<u>Capital Projects</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Totals</u>
Swimming Pool Reserve		
34,180	31,823	82,807
<u>441</u>	<u>332,368</u>	<u>635,203</u>
<u>\$ 34,621</u>	<u>\$ 364,191</u>	<u>\$ 718,010</u>
-	5,252	5,252
-	-	63,674
-	97,104	352,628
<u>34,621</u>	<u>261,835</u>	<u>296,456</u>
<u>\$ 34,621</u>	<u>\$ 364,191</u>	<u>\$ 718,010</u>

The accompanying notes are an integral part of the financial statements.

CITY OF GRUNDY CENTER

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

As of and for the Years Ended June 30, 2007

	Enterprise Funds			Nonmajor Enterprise Funds
	Water	Sanitary Sewer	Sanitation	
<b>OPERATING RECEIPTS:</b>				
Intergovernmental	\$ 288	\$ 14,752	\$ -	\$ 12,285
Charges for services	458,939	214,117	178,866	49,410
Miscellaneous	2,159	2,521	40,063	4,336
Total operating receipts	<u>461,386</u>	<u>231,390</u>	<u>218,929</u>	<u>66,031</u>
<b>OPERATING DISBURSEMENTS:</b>				
Business type activities:				
Water	408,031	-	-	10,846
Sewer	-	205,714	-	64,826
Sanitation	-	-	196,728	3,727
Ambulance	-	-	-	49,757
Total operating disbursements	<u>408,031</u>	<u>205,714</u>	<u>196,728</u>	<u>129,156</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	53,355	25,676	22,201	(63,125)
<b>NONOPERATING RECEIPTS (DISBURSEMENTS):</b>				
Interest on investments	<u>17,308</u>	<u>6,572</u>	<u>6,699</u>	<u>97,374</u>
Excess (deficiency) of receipts over (under) disbursements	<u>70,663</u>	<u>32,248</u>	<u>28,900</u>	<u>34,249</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of real property	-	-	-	33,585
Operating transfers in	-	-	-	23,245
Operating transfers out	-	-	(35,000)	(300,000)
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(35,000)</u>	<u>(243,170)</u>

<u>Totals</u>	
\$	27,325
	901,332
	<u>49,079</u>
	<u>977,736</u>

	418,877
	270,540
	200,455
	<u>49,757</u>
	<u>939,629</u>

38,107

	<u>127,953</u>
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	<u>166,060</u>
--	----------------

	33,585
	23,245
	<u>(335,000)</u>

	<u>(278,170)</u>
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(continued)

CITY OF GRUNDY CENTER

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

As of and for the Years Ended June 30, 2007

	Enterprise Funds			Nonmajor Enterprise Funds
	Water	Sanitary Sewer	Sanitation	
NET CHANGE IN CASH BALANCE	70,663	32,248	(6,100)	(208,921)
CASH BALANCE, BEGINNING	<u>114,835</u>	<u>124,030</u>	<u>137,333</u>	<u>1,049,491</u>
CASH BALANCE, ENDING	<u>\$ 185,498</u>	<u>\$ 156,278</u>	<u>\$ 131,233</u>	<u>\$ 840,570</u>
CASH BASIS FUND BALANCE:				
Reserved:				
Capital improvement	\$ -	\$ -	\$ -	\$ 718,267
Unreserved	<u>185,498</u>	<u>156,278</u>	<u>131,233</u>	<u>122,303</u>
Total cash basis fund balance	<u>\$ 185,498</u>	<u>\$ 156,278</u>	<u>\$ 131,233</u>	<u>\$ 840,570</u>

Totals  
(112,110)  
1,425,689  
\$ 1,313,579

\$ 718,267  
595,312  
\$ 1,313,579

The accompanying notes are an integral part of the financial statements.

## CITY OF GRUNDY CENTER

### Notes to Financial Statements

June 30, 2007

#### (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, 2007

(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.

Special Revenue:

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

The TIF Projects Fund is used for tax increment financing collections.

CITY OF GRUNDY CENTER  
Notes to Financial Statements  
June 30, 2007

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

B. Basis of Presentation (continued)

Capital Projects:

The Swimming Pool Reserve Fund is utilized to account for transactions involved in the construction of the City's new pool project.

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

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.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the community and economic development function.

(2) **Cash and Pooled Investments**

The City's deposits at June 30, 2007, 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.

**CITY OF GRUNDY CENTER**  
**Notes to Financial Statements**

**June 30, 2007**

**(2) Cash and Pooled Investments (continued)**

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.

At June 30, 2007, 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	\$ 1,975,029	\$ 1,975,029

**(3) Bonds and Notes Payable**

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

	<u>General</u>		<u>Tax Increment</u>		<u>Total</u>	
	<u>Obligation Bonds</u>		<u>Financing (TIF) Bonds</u>		<u>Principal</u>	<u>Interest</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 48,000	\$ 17,110	\$ 48,438	\$ 22,241	\$ 96,438	\$ 39,351
2009	53,000	16,450	50,179	20,684	103,179	37,134
2010	53,000	15,530	53,436	17,428	106,436	32,958
2011	50,000	14,570	49,639	13,955	99,639	28,525
2012	55,000	12,120	37,797	11,275	92,797	23,395
2013	55,000	9,370	35,092	9,124	90,092	18,494
2014	60,000	6,565	37,103	7,112	97,103	13,677
2015	65,000	3,445	39,231	4,983	104,231	8,428
2016	-	-	29,456	2,931	29,456	2,931
2017	-	-	32,765	1,337	32,765	1,337
	<u>\$ 439,000</u>	<u>\$ 95,160</u>	<u>\$ 413,136</u>	<u>\$ 111,070</u>	<u>\$ 852,136</u>	<u>\$ 206,230</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, 2007

(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, 2007 for each of the next three years are:

June 30, 2008	\$ 30,517
June 30, 2009	30,517
June 30, 2010	<u>22,888</u>
Total minimum lease payments	83,922
Less amount representing interest	<u>4,686</u>
Present value of net minimum lease payments	<u>\$ 79,236</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, 2007, \$149,880 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, 2007, \$567 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, 2007, \$14,527 is due from the Capital Projects - Special Assessments Fund. Interest is to be charged at the rate of 6% on all outstanding balances. The loan is expected to be repaid from annual special assessment collections from property owners of the Blue Sky Development.

The City has authorized the use of Capital Projects Fund - Community Betterment resources to help finance the purchase of a new patrol car. At June 30, 2007, \$4,650 is due from the Enterprise Fund - Police Equipment Reserve. The loan is expected to be repaid from annual department appropriations.

CITY OF GRUNDY CENTER

Notes to Financial Statements

June 30, 2007

(5) **Interfund Loan** (continued)

The City has authorized the use of Enterprise Fund - Sanitation resources to help finance the Swimming Pool Reserve - Capital Projects Fund. At June 30, 2007, \$150,000 is due from the Capital Projects - Swimming Pool Reserve Fund. Interest is to be charged at the rate of 5% on all outstanding balances. The loan is expected to be repaid from future financing revenues. The loan is for 60 days.

The City has authorized the use of Enterprise Fund - Sanitation resources to help finance the TIF Projects - Special Revenues Fund. At June 30, 2007, \$35,000 is due from the Special Revenue - TIF Projects Fund. Interest is to be charged at the rate of 5% on all outstanding balances. The loan is expected to be repaid from future incremental property tax monies received with urban renewal area.

(6) **Deficit Fund Balance**

The following fund-accounts had deficit fund balances at June 30, 2007:

Special Revenue - Special Assessments	\$ (12,140)
Capital Projects - Sports Recreation Complex	(43,739)
Capital Projects - Housing Rehabilitation	(5,396)
Special Revenue - Visioning Grant	(36)

(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, 503069117.

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 6.08% and 9.12%, respectively. For the year ended June 30, 2006, the contribution rates for police employees and the City were 6.16% and 9.23%, respectively, and for the year ended June 30, 2005, the contribution rates for police employees and the City were 6.16% and 9.23%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$35,640, \$37,191, and \$37,941, 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.

**CITY OF GRUNDY CENTER**  
**Notes to Financial Statements**  
**June 30, 2007**

**(7) Pension and Retirement Benefits (continued)**

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, 2007, is \$49,181.

**(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.

In June 2007, the Public Works Director retired and, starting in July 2007, will receive full medical insurance benefits for one year. The estimated liability for these benefits has not been determined.

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

Effective April 1, 1999 the City increased the deductible and out of pocket maximums of the health insurance policy offered to employees and agreed to self fund the difference back to the employees. The last contract negotiated with the union increased the deductible and out of pocket maximums over the life of the contract, which reduces the liability of the City. The insurance carrier provides information on the coverage of claims and, based on this, the City determines and reimburses the employees for its share of the liability on a monthly basis.

**CITY OF GRUNDY CENTER**  
**Notes to Financial Statements**  
**June 30, 2007**

**(11) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Employer's Contribution	\$ 194,555
Capital Projects: Community Betterment	Special Revenue: Fire Department Trust	12,317
Capital Projects: Community Betterment	Capital Projects: Police Reserve	4,534
Capital Projects: Special Assessments	Debt Service	25,562
Capital Projects: Swimming Pool Reserve	Enterprise: Sanitation Reserve	300,000
Capital Projects: Sports Rec Complex	Capital Projects: Community Betterment	10,000
Special Revenue: Fire Department Trust	Capital Projects: Community Betterment	2,600
Capital Projects: Equipment Reserve	General	9,691
Capital Projects: Police Reserve	General	8,000
Enterprise: Water Reserve	Special Revenue: Special Assessments	6,988
Enterprise: Sewer Reserve	Special Revenue: Special Assessments	6,988
Enterprise: Sanitation Reserve	Special Revenue: Special Assessments	9,269
Special Revenue: Fire Department Trust	Capital Projects: Fire Auxiliary	90
Special Revenue: TIF Projects	Enterprise: Sanitation Reserve	<u>35,000</u>
		<u>\$ 625,594</u>

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

**CITY OF GRUNDY CENTER**

**Notes to Financial Statements**

**June 30, 2007**

**(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 has entered into numerous contracts totaling \$3,571,310 for the Grundy Center Housing Rehabilitation Program, Highway 14 Overlay, Library Re-roof project, Aquatic Facility, and Wastewater Treatment improvements. There were no disbursements through June 30, 2007, resulting in a commitment as of June 30, 2007 of \$3,571,310.

**(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 \$796,183, all of which has been funded.

**(15) Subsequent Event**

On July 30, 2007, the City received \$2,703,689 in proceeds from a combination General Obligation (GO)/Tax Increment (TIF) Bond Issuance. The bond was issued to finance the construction of a new aquatic center at the site of the current facility. The bonds will be repaid using a combination of GO Levies and TIF at a rate of 4.95%. The scheduled payback is 15 years for the GO portion and 20 years for the TIF portion.

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, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Required to be Budgeted	Net
<b>RECEIPTS:</b>				
Property tax	\$ 878,983	\$ -	\$ -	\$ 878,983
Tax increment financing collections	113,161	-	-	113,161
Other city tax	181,982	-	-	181,982
Licenses and permits	5,206	-	-	5,206
Use of money and property	57,244	127,953	-	185,197
Intergovernmental	288,327	27,325	-	315,652
Charges for services	25,634	901,332	-	926,966
Special assessments	60,217	-	-	60,217
Miscellaneous	124,300	49,079	-	173,379
	<u>1,735,054</u>	<u>1,105,689</u>	<u>-</u>	<u>2,840,743</u>
Total receipts				
<b>DISBURSEMENTS:</b>				
Public safety	262,614	-	-	262,614
Public works	451,869	-	-	451,869
Health and social services	4,020	-	-	4,020
Culture and recreation	290,401	-	-	290,401
Community and economic development	181,294	-	-	181,294
General government	177,220	-	-	177,220
Debt service	50,740	-	-	50,740
Capital projects	565,344	-	-	565,344
Business type activities	-	939,629	-	939,629
	<u>1,983,502</u>	<u>939,629</u>	<u>-</u>	<u>2,923,131</u>
Total disbursements				
Excess (deficiency) of receipts over (under) disbursements	(248,448)	166,060	-	(82,388)
<b>OTHER FINANCING SOURCES (USES), NET</b>	<u>331,255</u>	<u>(278,170)</u>	<u>-</u>	<u>53,085</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	82,807	(112,110)	-	(29,303)
<b>BALANCES, BEGINNING OF YEAR</b>	<u>635,203</u>	<u>1,425,689</u>	<u>-</u>	<u>2,060,892</u>
<b>BALANCES, END OF YEAR</b>	<u>\$ 718,010</u>	<u>\$ 1,313,579</u>	<u>\$ -</u>	<u>\$ 2,031,589</u>

Budgeted Amounts		Final to Net
Original	Final	Variance
\$ 879,451	\$ 879,451	\$ (468)
111,600	111,600	1,561
152,556	152,556	29,426
8,675	8,675	(3,469)
153,134	153,134	32,063
854,178	854,178	(538,526)
928,119	928,119	(1,153)
10,000	10,000	50,217
<u>372,900</u>	<u>392,900</u>	<u>(219,521)</u>
<u>3,470,613</u>	<u>3,490,613</u>	<u>(649,870)</u>
303,938	303,938	41,324
523,636	523,636	71,767
4,020	4,020	-
311,191	311,191	20,790
15,288	35,288	(146,006)
191,193	191,193	13,973
204,750	224,750	174,010
2,722,119	722,119	156,775
<u>1,298,211</u>	<u>1,198,211</u>	<u>258,582</u>
<u>5,574,346</u>	<u>3,514,346</u>	<u>591,215</u>
(2,103,733)	(23,733)	(58,655)
<u>1,950,000</u>	<u>450,000</u>	<u>(396,915)</u>
(153,733)	426,267	(455,570)
<u>2,044,667</u>	<u>2,044,667</u>	<u>16,225</u>
<u>\$ 1,890,934</u>	<u>\$ 2,470,934</u>	<u>\$ (439,345)</u>

See accompanying independent auditor's report.

**CITY OF GRUNDY CENTER**

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

**Year Ended June 30, 2007**

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, one budget amendment decreased budgeted disbursements by \$2,060,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the community and economic development function.

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, 2007

	Special Revenue	Debt Service	Capital Projects	Totals
<b>RECEIPTS:</b>				
Property tax	\$ 231,304	\$ 65,157	\$ -	\$ 296,461
Other city tax	-	490	87,965	88,455
Use of money and property	6,940	827	11,354	19,121
Intergovernmental	-	-	42,436	42,436
Special assessments	-	25,634	-	25,634
Charges for services	-	-	24,075	24,075
Miscellaneous	46,797	-	30,731	77,528
	<u>285,041</u>	<u>92,108</u>	<u>196,561</u>	<u>573,710</u>
Total receipts				
<b>DISBURSEMENTS:</b>				
Operating:				
Public safety	-	-	465	465
Public works	-	15,450	-	15,450
Culture and recreation	15,954	-	-	15,954
Community and economic development	23,822	-	146,686	170,508
Debt service	-	50,740	-	50,740
Capital Projects	2,317	-	86,344	88,661
	<u>42,093</u>	<u>66,190</u>	<u>233,495</u>	<u>341,778</u>
Total disbursements				
Excess (deficiency) of receipts over (under) disbursements	<u>242,948</u>	<u>25,918</u>	<u>(36,934)</u>	<u>231,932</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of property	-	-	-	-
Operating transfers in	28,252	-	44,542	72,794
Operating transfers out	(230,117)	(25,562)	(17,224)	(272,903)
	<u>(201,865)</u>	<u>(25,562)</u>	<u>27,318</u>	<u>(200,109)</u>
Net other financing sources (uses)				

Schedule 1

	Special Revenue	Debt Service	Capital Projects	Totals
NET CHANGE IN CASH BALANCE	41,083	356	(9,616)	31,823
CASH BALANCE, BEGINNING	<u>56,021</u>	<u>4,896</u>	<u>271,451</u>	<u>332,368</u>
CASH BALANCE, ENDING	<u>\$ 97,104</u>	<u>\$ 5,252</u>	<u>\$ 261,835</u>	<u>\$ 364,191</u>
<b>CASH BASIS FUND BALANCE:</b>				
Reserved:				
Debt service	\$ -	\$ 5,252	\$ -	\$ 5,252
Unreserved:				
Special revenue funds	97,104	-	-	97,104
Capital project funds	<u>-</u>	<u>-</u>	<u>261,835</u>	<u>261,835</u>
Total cash basis fund balance	<u>\$ 97,104</u>	<u>\$ 5,252</u>	<u>\$ 261,835</u>	<u>\$ 364,191</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, 2007

	Water Reserve	Ambulance	Ambulance Trust	Sanitary Sewer Reserve
<b>OPERATING RECEIPTS:</b>				
Intergovernmental	\$ -	\$ 6,210	\$ 6,075	\$ -
Charges for services	10,500	38,910	-	-
Miscellaneous	243	1,707	-	838
	<u>10,743</u>	<u>46,827</u>	<u>6,075</u>	<u>838</u>
Total operating receipts				
<b>OPERATING DISBURSEMENTS:</b>				
Business type activities:				
Water	10,846	-	-	-
Sewer	-	-	-	64,826
Sanitation	-	-	-	-
Ambulance	-	49,757	-	-
	<u>10,846</u>	<u>49,757</u>	<u>-</u>	<u>64,826</u>
Total operating disbursements				
Excess (deficiency) of operating receipts over (under) disbursements	(103)	(2,930)	6,075	(63,988)
<b>NONOPERATING RECEIPTS (DISBURSEMENTS):</b>				
Interest on investments	<u>10,213</u>	<u>5,615</u>	<u>2,320</u>	<u>61,317</u>
Excess (deficiency) of receipts over (under) disbursements	<u>10,110</u>	<u>2,685</u>	<u>8,395</u>	<u>(2,671)</u>

Schedule 2

<u>Sanitation Reserve</u>	<u>Totals</u>
\$ -	\$ 12,285
-	49,410
<u>1,548</u>	<u>4,336</u>
<u>1,548</u>	<u>66,031</u>
-	10,846
-	64,826
3,727	3,727
<u>-</u>	<u>49,757</u>
<u>3,727</u>	<u>129,156</u>
(2,179)	(63,125)
<u>17,909</u>	<u>97,374</u>
<u>15,730</u>	<u>34,249</u>

(continued)

	<u>Water Reserve</u>	<u>Ambulance</u>	<u>Ambulance Trust</u>	<u>Sanitary Sewer Reserve</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of real property	33,585	-	-	-
Operating transfers in	6,988	-	-	6,988
Operating transfers out	-	-	-	-
Net other financing sources (uses)	<u>40,573</u>	<u>-</u>	<u>-</u>	<u>6,988</u>
<b>NET CHANGE IN CASH BALANCE</b>	50,683	2,685	8,395	4,317
<b>CASH BALANCE, BEGINNING</b>	<u>27,546</u>	<u>119,618</u>	<u>47,499</u>	<u>532,740</u>
<b>CASH BALANCE, ENDING</b>	<u>\$ 78,229</u>	<u>\$ 122,303</u>	<u>\$ 55,894</u>	<u>\$ 537,057</u>
<b>CASH BASIS FUND BALANCE</b>				
Reserved:				
Capital Improvement	\$ 78,229	\$ -	\$ 55,894	\$ 537,057
Unreserved	-	<u>122,303</u>	-	-
Total cash basis fund balance	<u>\$ 78,229</u>	<u>\$ 122,303</u>	<u>\$ 55,894</u>	<u>\$ 537,057</u>

Schedule 2

<u>Sanitation Reserve</u>	<u>Totals</u>
-	33,585
9,269	23,245
<u>(300,000)</u>	<u>(300,000)</u>
<u>(290,731)</u>	<u>(243,170)</u>
(275,001)	(208,921)
<u>322,088</u>	<u>1,049,491</u>
<u>\$ 47,087</u>	<u>\$ 840,570</u>
\$ 47,087	\$ 718,267
<u>-</u>	<u>122,303</u>
<u>\$ 47,087</u>	<u>\$ 840,570</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, 2007

	Library Gift Trust	Fire Dept Gift Trust	Admin- Econ Development Gift Trust	Park Board Gift Trust
<b>RECEIPTS:</b>				
Property tax	\$ -	\$ -	\$ -	\$ -
Tax increment financing collections	-	-	-	-
Use of money and property	1,942	-	-	608
Miscellaneous	6,608	12,227	20,500	-
Total receipts	<u>8,550</u>	<u>12,227</u>	<u>20,500</u>	<u>608</u>
<b>DISBURSEMENTS:</b>				
Operating:				
Culture and recreation	14,282	-	-	-
Community and economic development	-	-	20,500	-
Capital projects	-	-	-	-
Total disbursements	<u>14,282</u>	<u>-</u>	<u>20,500</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(5,732)</u>	<u>12,227</u>	<u>-</u>	<u>608</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	-	2,690	-	-
Operating transfers out	-	(12,317)	-	-
Net other financing sources (uses)	<u>-</u>	<u>(9,627)</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN CASH BALANCE</b>	(5,732)	2,600	-	608
<b>CASH BALANCE, BEGINNING</b>	<u>42,397</u>	<u>-</u>	<u>-</u>	<u>12,419</u>
<b>CASH BALANCE, ENDING</b>	<u>\$ 36,665</u>	<u>\$ 2,600</u>	<u>\$ -</u>	<u>\$ 13,027</u>
<b>CASH BASIS FUND BALANCE:</b>				
Unreserved:				
Special revenue funds	<u>\$ 36,665</u>	<u>\$ 2,600</u>	<u>\$ -</u>	<u>\$ 13,027</u>

Schedule 3

Community Center Gift Trust	Ambulance Gift Trust	Tree Gift Trust	Visioning Grant	Special Revenue	Special Assessments Projects	Totals
\$ -	\$ -	\$ -	\$ -	\$ 231,304	\$ -	\$ 231,304
-	-	-	-	-	-	-
263	271	-	-	3,856	-	6,940
<u>1,748</u>	<u>985</u>	<u>4,729</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,797</u>
<u>2,011</u>	<u>1,256</u>	<u>4,729</u>	<u>-</u>	<u>235,160</u>	<u>-</u>	<u>285,041</u>
-	1,672	-	-	-	-	15,954
-	-	3,286	36	-	-	23,822
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,317</u>	<u>2,317</u>
<u>-</u>	<u>1,672</u>	<u>3,286</u>	<u>36</u>	<u>-</u>	<u>2,317</u>	<u>42,093</u>
<u>2,011</u>	<u>(416)</u>	<u>1,443</u>	<u>(36)</u>	<u>235,160</u>	<u>(2,317)</u>	<u>242,948</u>
-	-	-	-	-	25,562	28,252
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(194,555)</u>	<u>(23,245)</u>	<u>(230,117)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(194,555)</u>	<u>2,317</u>	<u>(201,865)</u>
2,011	(416)	1,443	(36)	40,605	-	41,083
<u>5,848</u>	<u>6,218</u>	<u>(33)</u>	<u>-</u>	<u>1,312</u>	<u>(12,140)</u>	<u>56,021</u>
<u>\$ 7,859</u>	<u>\$ 5,802</u>	<u>\$ 1,410</u>	<u>\$ (36)</u>	<u>\$ 41,917</u>	<u>\$ (12,140)</u>	<u>\$ 97,104</u>
<u>\$ 7,859</u>	<u>\$ 5,802</u>	<u>\$ 1,410</u>	<u>\$ (36)</u>	<u>\$ 41,917</u>	<u>\$ (12,140)</u>	<u>\$ 97,104</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, 2007

	Sports Recreation Complex	Nonmajor Continuing Projects	Equipment Reserve	Fire Equipment Reserve
<b>RECEIPTS:</b>				
Other city taxes	\$ -	\$ -	\$ -	\$ -
Use of money and property	-	-	4,479	2,659
Intergovernmental	-	-	-	-
Charges for services	-	-	-	24,075
Miscellaneous	-	24,353	5,532	700
	<u>-</u>	<u>24,353</u>	<u>10,011</u>	<u>27,434</u>
Total receipts	-	24,353	10,011	27,434
<b>DISBURSEMENTS:</b>				
Public Safety	-	-	-	-
Community & Economic Development Capital Projects	5,610	65,234	15,500	-
	<u>5,610</u>	<u>65,234</u>	<u>15,500</u>	<u>-</u>
Total disbursements	5,610	65,234	15,500	-
Excess (deficiency) of receipts over (under) disbursements	<u>(5,610)</u>	<u>(40,881)</u>	<u>(5,489)</u>	<u>27,434</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	10,000	-	9,690	-
Operating transfers out	-	-	-	-
	<u>10,000</u>	<u>-</u>	<u>9,690</u>	<u>-</u>
Net other financing sources(uses)	10,000	-	9,690	-
<b>NET CHANGE IN CASH BALANCE</b>	4,390	(40,881)	4,201	27,434
<b>CASH BALANCE, BEGINNING</b>	<u>(48,129)</u>	<u>72,974</u>	<u>99,497</u>	<u>50,840</u>
<b>CASH BALANCE, ENDING</b>	<u>\$ (43,739)</u>	<u>\$ 32,093</u>	<u>\$ 103,698</u>	<u>\$ 78,274</u>
<b>CASH BASIS FUND BALANCE:</b>				
Unreserved:				
Capital project funds	<u>\$ (43,739)</u>	<u>\$ 32,093</u>	<u>\$ 103,698</u>	<u>\$ 78,274</u>

Schedule 4

Grundy Center Police Reserve	Grundy Center Fire Auxilliary	Community Betterment	Housing Rehabilitation	D & D Program	Totals
\$ -	\$ -	\$ 87,965	\$ -	\$ -	\$ 87,965
-	-	4,216	-	-	11,354
-	-	-	42,436	-	42,436
-	-	-	-	-	24,075
146	-	-	-	-	30,731
<u>146</u>	<u>-</u>	<u>92,181</u>	<u>42,436</u>	<u>-</u>	<u>196,561</u>
465	-	-	-	-	465
-	-	101,778	44,908	-	146,686
-	-	-	-	-	86,344
<u>465</u>	<u>-</u>	<u>101,778</u>	<u>44,908</u>	<u>-</u>	<u>233,495</u>
<u>(319)</u>	<u>-</u>	<u>(9,597)</u>	<u>(2,472)</u>	<u>-</u>	<u>(36,934)</u>
8,000	-	16,852	-	-	44,542
(4,534)	(90)	(12,600)	-	-	(17,224)
<u>3,466</u>	<u>(90)</u>	<u>4,252</u>	<u>-</u>	<u>-</u>	<u>27,318</u>
3,147	(90)	(5,345)	(2,472)	-	(9,616)
<u>148</u>	<u>90</u>	<u>94,398</u>	<u>(2,924)</u>	<u>4,557</u>	<u>271,451</u>
<u>\$ 3,295</u>	<u>\$ -</u>	<u>\$ 89,053</u>	<u>\$ (5,396)</u>	<u>\$ 4,557</u>	<u>\$ 261,835</u>
<u>\$ 3,295</u>	<u>\$ -</u>	<u>\$ 89,053</u>	<u>\$ (5,396)</u>	<u>\$ 4,557</u>	<u>\$ 261,835</u>

CITY OF GRUNDY CENTER

Statement of Indebtedness

Year Ended June 30, 2007

<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			
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 - heating/cooling	March 7, 2005	4.10%	137,750

Schedule 5

<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>
\$ 132,000	\$ -	\$ 33,000	\$ 99,000	\$ -	\$ -
355,000	-	15,000	340,000	17,740	-
<u>\$ 487,000</u>	<u>\$ -</u>	<u>\$ 48,000</u>	<u>\$ 439,000</u>	<u>\$ 17,740</u>	<u>\$ -</u>
\$ 71,798	\$ -	\$ 27,621	\$ 44,177	\$ 5,279	\$ -
89,206	-	15,958	73,248	5,630	-
32,309	-	11,361	20,948	1,816	-
34,222	-	8,902	25,320	2,293	-
268,000	-	18,557	249,443	13,830	-
<u>\$ 495,535</u>	<u>\$ -</u>	<u>\$ 82,399</u>	<u>\$ 413,136</u>	<u>\$ 28,848</u>	<u>\$ -</u>
\$ 105,908	\$ -	\$ 26,672	\$ 79,236	\$ 3,844	\$ -

CITY OF GRUNDY CENTER

Bond and Note Maturities

June 30, 2007

General Obligation Loans

Year ending June 30,	Rural Economic Development Loan Issued August 12, 1999		Storm Sewer Project Loan Issued June 1, 2002		Total
	Principal	Interest Rates	Principal	Interest Rates	
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>\$ 99,000</u>		<u>\$ 340,000</u>		<u>\$ 439,000</u>

Year ending June 30,	Urban Renewal Tax Increment Financing (TIF) Bonds		Urban Renewal Tax Increment Financing (TIF) Bonds	
	Principal	Interest Rates	Principal	Interest Rates
2008	\$ 11,814	8.00%	\$ 7,566	6.50%
2009	12,189	8.00%	7,682	6.50%
2010	13,184	8.00%	8,189	6.50%
2011	6,990	8.00%	8,730	6.50%
2012	-	-	9,307	6.50%
2013	-	-	9,922	6.50%
2014	-	-	10,577	6.50%
2015	-	-	11,275	6.50%
2016	-	-	-	-
2017	-	-	-	-
	<u>\$ 44,177</u>		<u>\$ 73,248</u>	

Schedule 6

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			
\$ 4,084	6.50%	\$ 5,833	6.50%	\$ 19,141	5.25%	\$ 48,438		
3,820	6.50%	6,085	6.50%	20,403	5.25%	50,179		
4,073	6.50%	6,487	6.50%	21,503	5.25%	53,436		
4,342	6.50%	6,915	6.50%	22,662	5.25%	49,639		
4,629	6.50%	-	-	23,861	5.25%	37,797		
-	-	-	-	25,170	5.25%	35,092		
-	-	-	-	26,526	5.25%	37,103		
-	-	-	-	27,956	5.25%	39,231		
-	-	-	-	29,456	5.25%	29,456		
-	-	-	-	32,765	5.25%	32,765		
<u>\$ 20,948</u>		<u>\$ 25,320</u>		<u>\$ 249,443</u>		<u>\$ 413,136</u>		

## CITY OF GRUNDY CENTER

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

For the Last Five Years

	Years Ended June 30,				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Receipts:					
Property tax	\$ 878,983	\$ 793,576	\$ 769,143	\$ 712,802	\$ 700,717
Tax increment financing collections	113,161	98,702	86,642	92,621	118,378
Other city tax	181,982	159,582	144,166	139,534	139,986
Licenses and permits	5,206	7,485	7,928	6,015	6,668
Use of money and property	185,197	152,951	128,769	44,224	133,458
Intergovernmental	315,652	542,737	367,896	415,472	285,994
Charges for service	926,966	975,264	949,337	846,648	743,558
Special assessments	60,217	85,245	65,316	36,762	75,606
Miscellaneous	173,379	322,237	175,756	189,079	186,161
	<u>2,840,743</u>	<u>3,137,779</u>	<u>2,694,953</u>	<u>2,483,157</u>	<u>2,390,526</u>
Total	<u>\$ 2,840,743</u>	<u>\$ 3,137,779</u>	<u>\$ 2,694,953</u>	<u>\$ 2,483,157</u>	<u>\$ 2,390,526</u>
Operating:					
Public safety	\$ 262,614	\$ 284,886	\$ 275,918	\$ 269,802	\$ 307,759
Public works	451,869	587,681	406,261	449,217	323,180
Health and social services	4,020	4,020	4,020	4,020	4,020
Culture and recreation	290,401	317,876	310,284	291,491	280,383
Community and economic development	181,294	206,680	139,621	185,187	149,882
General government	177,220	185,679	167,467	173,380	169,494
Debt service	50,740	51,340	51,903	52,413	52,712
Capital projects	565,344	457,461	445,228	144,579	554,850
Business type activities	939,629	1,013,799	945,974	917,373	813,870
	<u>2,923,131</u>	<u>3,109,422</u>	<u>2,746,676</u>	<u>2,487,462</u>	<u>2,656,150</u>
Total	<u>\$ 2,923,131</u>	<u>\$ 3,109,422</u>	<u>\$ 2,746,676</u>	<u>\$ 2,487,462</u>	<u>\$ 2,656,150</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, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated December 18, 2007, 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in Part II of the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described in Part II are material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Grundy Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in Part III of the accompanying schedule of findings and responses.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007, 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-F-07, III-J-07, and III-I-07.

City of Grundy Center's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Grundy Center's responses and, accordingly, we express no opinion on them.

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 Henderson LLP*

Cedar Rapids, Iowa  
December 18, 2007

CITY OF GRUNDY CENTER

Schedule of Findings

Year Ended June 30, 2007

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

1. A qualified opinion was issued on the financial statements.
2. Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements. These conditions are 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-07: Segregation of Duties**

Criteria:

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

Condition:

The City 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 City 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 City 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.

Conclusion:

Response accepted.

CITY OF GRUNDY CENTER

Schedule of Findings

Year Ended June 30, 2007

**PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS** (CONTINUED)

**II-B-07: Audit Adjustments**

Criteria:

The City should have adequate procedures to provide for the accuracy and reliability of the trial balance given to the auditor.

Condition:

During the course of the audit, misstatements that had a material effect on the City's financial statement were discovered. Adjusting journal entries were made to correct these misstatements.

Context:

Although adjustments during the course of an audit are not uncommon, the independent auditor cannot be considered part of the City's internal control system.

Effect:

As a result of this condition, there is a higher risk that misstatements that are material to the financial statements could occur and not be detected.

Cause:

The City has relied on the independent auditor to some degree to provide assurance that the financial statements are not materially misstated.

Recommendation:

We recommend that the City establish internal procedures to adjust all account balances prior to the audit.

Management Response:

Management believes this change will result in potential financial statement misstatements being identified and corrected prior to audit.

Conclusion:

Response accepted.

**II-C-07: Preparation of Financial Statements**

Criteria:

The City Council and management share the ultimate responsibility for the City's financial statements, including disclosures.

Condition:

The City has not implemented procedures, to the degree necessary, to perform a review and assume responsibility of the City's financial statements and related disclosures to provide a high level of assurance that potential omissions or other errors that are less material, but more inconsequential, would be identified and corrected.

CITY OF GRUNDY CENTER

Schedule of Findings

Year Ended June 30, 2007

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED)

II-C-07: Preparation of Financial Statements (continued)

Context:

While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The independent auditor cannot be considered part of the City's internal control system. The City has implemented procedures to review the financial statements and disclosures but has not utilized review aids, such as a disclosure checklist, and may not have monitored recent accounting developments to the extent necessary to provide a high level of assurance that financial statement omissions or other errors would be identified and corrected.

Effect:

As a result of this condition, there is a higher risk that financial statement omissions or other errors could occur and not be detected.

Cause:

The City has relied on the independent auditor to some degree to provide assurance that the financial statements, including disclosures, are not materially misstated.

Recommendation:

We recommend that sufficient financial statement and disclosure review procedures be performed by an individual possessing a thorough understanding of applicable generally accepted accounting principles and knowledge of the City's activities and operations.

Management Response:

The City does not have the resources to employ staff possessing the detailed understanding of applicable generally accepted accounting principles to the extent required to utilize such a disclosure checklist. We understand the list of GAAP requirements in these disclosure checklists exceeds 50 pages in length. As a result, the City of Grundy Center has relied on the independent auditor to identify disclosures required in the financial statements.

Conclusion:

Response accepted.

CITY OF GRUNDY CENTER

Schedule of Findings

Year Ended June 30, 2007

PART III: FINDINGS RELATED TO STATUTORY REPORTING

- III-A-2007      Certified Budget - Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the community and economic development function prior to amendment and at year end. 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-B-2007      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-C-2007      Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-2007      Business Transactions - We noted no business transactions between the City and City officials or employees.
- III-E-2007      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-F-2007      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 disbursements by fund and summary of receipts as required.
- Response - We will include in minutes as required.
- Conclusion - Response accepted.
- III-G-2007      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-H-2007      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.

CITY OF GRUNDY CENTER

Schedule of Findings

Year Ended June 30, 2007

PART III: FINDINGS RELATED TO STATUTORY REPORTING (CONTINUED)

III-I-2007      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 Special Revenue - 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.

III-J-2007      Employee Benefits - The City overlevied for Employee Benefits.

Recommendation - The City should only levy funds that are expected to be disbursed.

Response - The City agrees that it overestimated amounts needed for health insurance and will correct this problem.

Conclusion - Response accepted.

**CITY OF GRUNDY CENTER**

**Audit Staff**

This audit was performed by:

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