



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

June 30, 2008

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CITY OF GRUNDY CENTER

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jack Stumberg	Mayor	January 2010
Mike Oglesby	Council Member	January 2010
John Kramer	Council Member	January 2010
Rex Van Wert	Council Member	January 2012
Paul Sealman	Council Member	January 2012
William Halbach	Council Member	January 2012
Richard Riesberg	City Clerk and Treasurer	Indefinite
John 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, 2008, which collectively comprise the City of Grundy Center's basic financial statements listed in the table of contents. These 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 opinions.

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

Management has not included the financial activities of the Grundy Center Municipal Power & Light Company, a component unit of the City of Grundy Center, in the accompanying financial statements. The cash basis of accounting, as described in Note 1, requires that this component unit be discretely presented as part of the City's financial statements and the financial information of the component unit be presented as part of the business type activities of the City. If the omitted component unit had been included, receipts and disbursements of the enterprise funds would have increased by \$4,961,474 and \$4,462,499, 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 \$498,975, and the ending enterprise funds balance would have been \$8,753,531.

In our opinion, because of the omission of the Grundy Center Municipal Power & Light Company component unit described in the previous paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with the cash basis of accounting, the cash basis financial position of the component unit and the business activities of the City of Grundy Center as of June 30, 2008, or the changes in cash basis financial position for the year then ended.

In addition, in our opinion, except for the effects of not including the financial information for the component unit as part of the City's activities, as described above, the financial statements referred to above present fairly, in all material respects, the 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, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the cash basis of accounting.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 19, 2009 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 12 and 37 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions 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, 2007 (which are not presented herein) and expressed unqualified opinions, except for the omission of the Grundy Center Municipal Power & Light Company component unit, on those financial statements which were prepared in conformity with an other comprehensive basis of accounting as described in Note 1. Other 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 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Clifton Henderson LLP

Cedar Rapids, Iowa
January 19, 2009

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, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2008 Financial Highlights

Revenues of the City's governmental activities increased 13.81% or approximately \$239,600 from fiscal 2007 to fiscal 2008. Property tax collections decreased approximately \$32,750, use of money and property (interest earnings) increased approximately \$48,000, and miscellaneous revenues increased approximately \$218,000.

Disbursements for governmental activities increased 229.32% or approximately \$1,983,500 in fiscal 2008 from fiscal 2007. There was an increase of approximately \$2,418,500 in Capital Projects for the costs of completing construction of the new aquatic facility. Debt Service expenditures also increased (\$122,500) as we began paying on the debt for the new aquatic facility.

The City issued \$2,700,000 in bonds at the beginning of the year to pay for the new aquatic center. These bonds were a combination of general obligation bonds (\$1,500,000) and tax increment bonds (\$1,200,000).

The City's cash basis fund balance for governmental funds increased 6.88% or approximately \$49,500 from June 30, 2007 to June 30, 2008. 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, and the Capital Projects 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 revenues and expenditures in the Swimming Pool Reserve Fund as it completed the construction 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 been completed for a year and the City awaits a bill from the State of Iowa Department of Transportation. The General Fund continues to carry a small balance; it has grown as management continues to control expenditures to match revenues and create a cushion for unexpected expenses.

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 \$718,010 to \$767,443. 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>	
Cash Balance as of:						
June 30, 2007	\$ 63,674	\$ 220,921	\$ 34,603	\$ 34,621	\$ 364,191	\$ 718,010
June 30, 2008	<u>111,556</u>	<u>219,858</u>	<u>33,937</u>	<u>25,110</u>	<u>376,982</u>	<u>767,443</u>
Change in Balance Positive/Negative	<u>\$ 47,882</u>	<u>\$ (1,063)</u>	<u>\$ (666)</u>	<u>\$ (9,511)</u>	<u>\$ 12,791</u>	<u>\$ 49,433</u>

The City reduced the property tax millage rate for 2008. The reduction in the millage rate for residential properties was the result of a lower levy rate for employee benefits. With the reduced need for property tax collections for employee benefits, the City collected almost \$33,000 less in property taxes for the General Fund, Special Revenue Fund, and Debt Service Fund.

The cost of all governmental activities this year was \$4,548,550 compared to \$1,983,502 last year. The Statement of Activities and Net Assets on pages 14-17 reveals that the amount the taxpayers ultimately financed for these activities was \$3,874,900 because some of the cost was paid by those directly benefiting from the programs or by other government agencies and organizations.

The business activities receipts for the fiscal year were \$983,185 compared to \$941,634 last year. This increase in revenues was due to additional ambulance collections. Total disbursements increased by \$665,162 from \$939,629 for fiscal year 2007 to \$1,604,791 for fiscal year 2008. During the year, the City spent just over \$685,000 on a capital project at the wastewater treatment facility.

Individual Major Government Fund Analysis

At the end of the fiscal year the City of Grundy Center had a combined fund balance of \$767,443 in its Governmental Funds, which represents a positive change of \$49,433. 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 made improvements to Highway 14 through Grundy Center. The City's share is over \$100,000 and this is expected to reduce the balance in this fund in fiscal year 2009.

- The City spent almost \$2,800,000 for the construction of the new family aquatic center. Construction delays postponed the planned June opening into July. The delayed opening provided savings to the General Fund, which helped to increase the General Fund ending balance.
- The General Fund was helped by the continued reduction of expenditures for the police department as the force was at three officers until February. These savings were retained in the General Fund to build its end of 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 \$100,000. The City has passed on the last several water rate increases in order to keep pace with the increasing costs.
- The Sanitary Sewer Fund remained at the same level from the year before. The City then established the Sanitary Sewer Reserve Fund for improvements of the sewer treatment plant.
- The Sanitary Sewer Reserve Fund spent almost \$700,000 on a contract for the update of the sewer treatment plant. The improvements were funded with a loan from the State Revolving Fund of the Iowa Finance Authority. Reserves are in place to make payments over the life of the loan.
- The Sanitation Department has seen major changes in how it operates with the closure of the Grundy County landfill. This has led to increased recycling efforts in hopes of reducing even further the amounts being sent to the landfill. Additional fees are being charged to residential customers for the increased recycling costs.

Budgetary Highlights

During the year the budget was amended once. The amendment increased budgeted expenditures by \$128,000 for governmental funds and \$25,000 for enterprise funds. This was offset by an increase of \$100,300 for budgeted revenues.

Debt Administration

As of June 30, 2008, the City of Grundy Center had approximately \$3,862,000 in bonds and other long-term debt. This amount is approximately \$3,000,000 more than a year ago as is shown below.

Outstanding Debt at Year-End (Expressed in Thousands)

	<u>2008</u>	<u>2007</u>
General Obligation Bonds - Sanitary Sewer	\$ 325	\$ 340
General Obligation Bonds - Fire Station	66	99
General Obligation Bonds - Aquatic Center	2,700	-
Sewer Revenue Bonds	446	-
Urban Renewal Tax Increment Financing Revenue Bonds	<u>325</u>	<u>413</u>
Total	<u>\$ 3,862</u>	<u>\$ 852</u>

Debt increased significantly in the last year as a result of issuing new bonds for the aquatic center and wastewater treatment facility improvements. 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 \$5,574,000. With the new debt added this year, we are at almost 70% of that limit.

Economic Factors and Next Year's Budget and Rates

The Grundy Center City Council didn't take action on next year's budget (FY2009) by the March 10, 2008 deadline. In preparing the budget, tax levy rate and charges for services, they considered many items such as the debt service levy for the new aquatic center, increasing health care costs for employees and the pay raise for employees and the desire to contain property taxes as much as possible. This is made more difficult when the percentage of a home's value subject to property taxes continues to decrease each year.

The budget for fiscal year 2009 expenditures was decreased by over \$2,300,000. The decrease was the result of decreased budgets for capital projects as the aquatic center and improvements to the wastewater treatment facility were completed this year.

Although the budget was decreased, the tax levy rate was increased from \$14.51541 per thousand dollars of taxable valuation to \$17.16697 per thousand dollars of taxable valuation. This increase is almost exclusively from the debt service for the new aquatic center.

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>04/05</u>	<u>05/06</u>	<u>06/07</u>	<u>07/08</u>	<u>08/09</u>
Assessed value	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Rollback	48.4558 %	47.9642 %	45.9960 %	45.5596 %	44.0803 %
Taxable value	48,456	47,964	5,996	45,560	44,080
Tax rate per \$1,000	14.72137	15.22187	15.22187	14.51541	17.16697
Calculated tax	713	730	700	661	757
% of total tax bill	38.523 %	38.270 %	38.270 %	37.850 %	38.758 %

Fiscal year 2008 (ending June 30, 2008) was a year of significant changes for the City. There were three major projects completed during the year or shortly thereafter. The highway resurfacing was at the beginning of the fiscal year, the aquatic center opened in July 2008 and the wastewater treatment facility improvements were put online in late May 2008.

The largest of the three projects was the construction of a new aquatic center where the old swimming pool was located. The total budget for this project was 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, donations 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. This, coupled with the dramatic increases in prices for oil based products used to maintain our roads, will make street maintenance very difficult for years to come.

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, the City has obtained a loan from the State Department of Natural Resources (IDNR).

As the City looks forward, it has in place the vertical infrastructure necessary to provide the services to its citizens. The concerns for the future are with the aging infrastructure underground, water distribution, sanitary sewer services, and storm water sewer system. This, along with the dramatic increase in costs to maintain the quality of our streets, will challenge the City's budgets for the foreseeable future. In order to meet this challenge, there will have to be new construction to provide additional property tax sources or new streams of revenue will need to be developed.

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, 2008

	Disburse- ments	Program Receipts		
		Charges for Services	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 285,389	\$ 4,700	\$ 18,469	\$ -
Public works	463,046	-	222,406	-
Health and social services	4,520	-	-	-
Culture and recreation	303,227	55,110	49,711	-
Community and economic development	149,609	911	16,876	-
General government	185,502	4,095	60	-
Debt service	173,397	-	-	-
Capital projects	2,983,860	-	-	301,312
Total governmental activities	4,548,550	64,816	307,522	301,312
Business type activities:				
Water	383,198	473,531	530	-
Sewer	905,794	205,439	47,154	-
Sanitation	247,960	228,978	-	-
Ambulance	67,839	75,237	13,437	-
Total business type activities	1,604,791	983,185	61,121	-
Total	6,153,341	1,048,001	368,643	301,312
GENERAL RECEIPTS:				
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>
\$ (262,220)	\$ -	\$ (262,220)
(240,640)	-	(240,640)
(4,520)	-	(4,520)
(198,406)	-	(198,406)
(131,822)	-	(131,822)
(181,347)	-	(181,347)
(173,397)	-	(173,397)
<u>(2,682,548)</u>	<u>-</u>	<u>(2,682,548)</u>
<u>(3,874,900)</u>	<u>-</u>	<u>(3,874,900)</u>
-	90,863	90,863
-	(653,201)	(653,201)
-	(18,982)	(18,982)
-	<u>20,835</u>	<u>20,835</u>
<u>-</u>	<u>(560,485)</u>	<u>(560,485)</u>
<u>(3,874,900)</u>	<u>(560,485)</u>	<u>(4,435,385)</u>
584,954	-	584,954
196,283	-	196,283
134,272	-	134,272
64,987	-	64,987
8,213	-	8,213
171,344	-	171,344
4,995	-	4,995
9,399	-	9,399
80,929	59,519	140,448

(continued)

CITY OF GRUNDY CENTER

Statement of Activities and Net Assets - Cash Basis

As of and for the Year Ended June 30, 2008

	<u>Program Receipts</u>		
		Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
	<u>Disburse- ments</u>	<u>Charges for Services</u>	
GENERAL RECEIPTS (continued):			
Rents			
Bond proceeds			
Sale of capital assets			
Miscellaneous			
Transfers			
Total general receipts and transfers			
 CHANGE IN CASH BASIS NET ASSETS			
 CASH BASIS NET ASSETS, BEGINNING OF YEAR			
 CASH BASIS NET ASSETS, END OF YEAR			
 CASH BASIS NET ASSETS:			
Restricted:			
Streets			
Urban renewal purposes			
Debt service			
Other purposes			
Unrestricted:			
General			
Debt service			
 TOTAL CASH BASIS NET ASSETS			

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

Governmental Activities	Business Type Activities	Total
-	25,283	25,283
2,700,000	439,044	3,139,044
2,400	5,164	7,564
45,630	5,533	51,163
(79,073)	79,073	-
<u>3,924,333</u>	<u>613,616</u>	<u>4,537,949</u>
49,433	53,131	102,564
<u>718,010</u>	<u>1,313,579</u>	<u>2,031,589</u>
<u>\$ 767,443</u>	<u>\$ 1,366,710</u>	<u>\$ 2,134,153</u>
\$ 219,858	\$ -	\$ 219,858
124,471	-	124,471
5,677	-	5,677
327,519	843,729	1,171,248
111,556	522,981	634,537
(21,638)	-	(21,638)
<u>\$ 767,443</u>	<u>\$ 1,366,710</u>	<u>\$ 2,134,153</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, 2008

	Special Revenue		
	General	Road Use Tax	Special Revenue
RECEIPTS:			
Property tax	\$ 584,954	\$ -	\$ 196,283
Tax increment financing collections	-	-	134,199
Other city tax	91,685	-	-
Licenses and permits	5,066	-	-
Use of money and property	32,961	-	4,094
Intergovernmental	31,972	222,406	-
Special assessments	-	-	-
Charges for services	35,528	-	-
Miscellaneous	45,545	-	-
	<u>827,711</u>	<u>222,406</u>	<u>334,576</u>
Total receipts			
DISBURSEMENTS:			
Operating:			
Public safety	279,441	-	-
Public works	224,277	223,469	-
Health and social services	4,520	-	-
Culture and recreation	264,259	-	-
Community and economic development	9,405	-	-
General government	185,502	-	-
Debt service	-	-	-
Capital projects	-	-	-
	<u>967,404</u>	<u>223,469</u>	<u>-</u>
Total disbursements			
Excess (deficiency) of receipts over (under) disbursements	<u>(139,693)</u>	<u>(1,063)</u>	<u>334,576</u>
OTHER FINANCING SOURCES (USES)			
Sale of property	-	-	-
Proceeds on issuance of debt	-	-	-
Operating transfers in	204,066	-	86
Operating transfers out	(16,491)	-	(324,320)
	<u>187,575</u>	<u>-</u>	<u>(324,234)</u>
Net other financing sources (uses)			

Exhibit B

Capital Projects		Other Nonmajor Governmental Funds	Totals
Swimming Pool Reserve	Equipment Reserve		
\$ -	\$ -	\$ 64,987	\$ 846,224
-	-	73	134,272
-	-	86,193	177,878
-	-	-	5,066
56,180	4,541	7,519	105,295
-	-	44,114	298,492
-	-	4,995	4,995
-	-	24,685	60,213
<u>231,116</u>	<u>15,050</u>	<u>50,510</u>	<u>342,221</u>
<u>287,296</u>	<u>19,591</u>	<u>283,076</u>	<u>1,974,656</u>
-	-	5,948	285,389
-	-	15,300	463,046
-	-	-	4,520
-	-	38,968	303,227
-	-	140,204	149,609
-	-	-	185,502
-	-	173,397	173,397
<u>2,941,807</u>	<u>14,000</u>	<u>28,053</u>	<u>2,983,860</u>
<u>2,941,807</u>	<u>14,000</u>	<u>401,870</u>	<u>4,548,550</u>
<u>(2,654,511)</u>	<u>5,591</u>	<u>(118,794)</u>	<u>(2,573,894)</u>
-	-	2,400	2,400
2,700,000	-	-	2,700,000
95,000	7,805	242,474	549,431
<u>(150,000)</u>	<u>-</u>	<u>(137,693)</u>	<u>(628,504)</u>
<u>2,645,000</u>	<u>7,805</u>	<u>107,181</u>	<u>2,623,327</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, 2008

	<u>Special Revenue</u>		
	<u>General</u>	<u>Road Use Tax</u>	<u>Special Revenue</u>
NET CHANGE IN CASH BALANCE	47,882	(1,063)	10,342
CASH BALANCE, BEGINNING OF YEAR	<u>63,674</u>	<u>220,921</u>	<u>41,917</u>
CASH BALANCE, END OF YEAR	<u>\$ 111,556</u>	<u>\$ 219,858</u>	<u>\$ 52,259</u>
CASH BASIS FUND BALANCE:			
Reserved:			
Debt service	\$ -	\$ -	\$ -
Unreserved:			
General	111,556	-	-
Special revenue funds	-	219,858	52,259
Capital project funds	-	-	-
Debt service	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balance	<u>\$ 111,556</u>	<u>\$ 219,858</u>	<u>\$ 52,259</u>

<u>Capital Projects</u>		<u>Other Nonmajor Governmental Funds</u>	<u>Totals</u>
<u>Swimming Pool Reserve</u>	<u>Equipment Reserve</u>		
(9,511)	13,396	(11,613)	49,433
<u>34,621</u>	<u>103,698</u>	<u>253,179</u>	<u>718,010</u>
<u>\$ 25,110</u>	<u>\$ 117,094</u>	<u>\$ 241,566</u>	<u>\$ 767,443</u>
\$ -	\$ -	\$ 5,677	\$ 5,677
-	-	-	111,556
-	-	72,212	344,329
25,110	117,094	185,315	327,519
<u>-</u>	<u>-</u>	<u>(21,638)</u>	<u>(21,638)</u>
<u>\$ 25,110</u>	<u>\$ 117,094</u>	<u>\$ 241,566</u>	<u>\$ 767,443</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 Year Ended June 30, 2008

	Water	Sanitary Sewer	Enterprise Sanitary Sewer Reserve
OPERATING RECEIPTS:			
Intergovernmental	\$ 530	\$ 15,205	\$ -
Charges for services	473,531	205,439	-
Miscellaneous	1,912	1,993	-
Total operating receipts	475,973	222,637	-
OPERATING DISBURSEMENTS:			
Business type activities:			
Water	383,198	-	-
Sewer	-	220,780	685,014
Sanitation	-	-	-
Ambulance	-	-	-
Total operating disbursements	383,198	220,780	685,014
Excess (deficiency) of operating receipts over (under) operating disbursements	92,775	1,857	(685,014)
NONOPERATING RECEIPTS (DISBURSEMENTS):			
Interest on investments	9,100	6,348	54,453
Excess (deficiency) of receipts over (under) disbursements	101,875	8,205	(630,561)
OTHER FINANCING SOURCES (USES):			
Sale of real property	3,318	24	1,822
Proceeds on issuance of debt	-	-	439,044
Operating transfers in	-	-	1,165
Operating transfers out	-	-	-
Net other financing sources (uses)	3,318	24	442,031

<u>Funds</u>		
<u>Sanitation</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>
\$ -	\$ 12,437	\$ 28,172
185,691	75,237	939,898
<u>43,803</u>	<u>4,105</u>	<u>51,813</u>
229,494	91,779	1,019,883
-	-	383,198
-	-	905,794
226,338	21,622	247,960
<u>-</u>	<u>67,839</u>	<u>67,839</u>
226,338	89,461	1,604,791
3,156	2,318	(584,908)
<u>6,581</u>	<u>38,276</u>	<u>114,758</u>
<u>9,737</u>	<u>40,594</u>	<u>(470,150)</u>
-	-	5,164
-	-	439,044
222	202,686	204,073
<u>-</u>	<u>(125,000)</u>	<u>(125,000)</u>
222	77,686	523,281

(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, 2008

	Water	Sanitary Sewer	Enterprise Sanitary Sewer Reserve
NET CHANGE IN CASH BALANCE	105,193	8,229	(188,530)
CASH BALANCE, BEGINNING OF YEAR	185,498	156,278	537,057
CASH BALANCE, END OF YEAR	\$ 290,691	\$ 164,507	\$ 348,527
CASH BASIS FUND BALANCE:			
Reserved:			
Capital improvement	\$ -	\$ 164,507	\$ 348,527
Unreserved	290,691	-	-
Total cash basis fund balance	\$ 290,691	\$ 164,507	\$ 348,527

<u>Funds</u>		
<u>Sanitation</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>
9,959	118,280	53,131
<u>131,233</u>	<u>303,513</u>	<u>1,313,579</u>
<u>\$ 141,192</u>	<u>\$ 421,793</u>	<u>\$ 1,366,710</u>
\$ -	\$ 330,695	\$ 843,729
<u>141,192</u>	<u>91,098</u>	<u>522,981</u>
<u>\$ 141,192</u>	<u>\$ 421,793</u>	<u>\$ 1,366,710</u>

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

CITY OF GRUNDY CENTER

Notes to Financial Statements

June 30, 2008

(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, 2008

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

B. Basis of Presentation

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

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

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

Unrestricted net assets consist of net assets 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, 2008

(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 tax increment financing collections.

Capital Projects:

The Equipment Reserve Fund is utilized to account for transactions involved in the purchase of equipment.

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 Sanitary Sewer Reserve Fund is a reserve for capital projects to 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.

CITY OF GRUNDY CENTER
Notes to Financial Statements
June 30, 2008

(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, 2008, disbursements exceeded the amounts budgeted in the public safety and community and economic development functions.

(2) **Cash and Pooled Investments**

The City's deposits at June 30, 2008, 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.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

CITY OF GRUNDY CENTER

Notes to Financial Statements

June 30, 2008

(3) Bonds and Notes Payable

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

	General Obligation Bonds		Tax Increment Financing (TIF) Bonds		Revenue Bond		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 133,000	\$ 140,975	\$ 40,028	\$ 17,299	\$ 26,000	\$ 19,889	\$ 199,028	\$ 178,163
2010	138,000	136,095	41,705	15,622	27,000	18,870	206,705	170,587
2011	150,000	131,528	41,076	13,037	28,000	18,060	219,076	162,625
2012	180,000	123,528	34,270	10,798	29,000	17,220	243,270	151,546
2013	210,000	114,590	33,631	8,843	29,000	16,350	272,631	139,783
2014	225,000	104,113	35,547	6,928	30,000	15,480	290,547	126,521
2015	235,000	92,825	37,573	4,902	31,000	14,580	303,573	112,307
2016	180,000	80,965	29,456	2,931	32,000	13,650	241,456	97,546
2017	185,000	72,775	32,360	1,336	33,000	12,690	250,360	86,801
2018	190,000	65,005	-	-	34,000	11,700	224,000	76,705
2019	200,000	56,835	-	-	35,000	10,680	235,000	67,515
2020	205,000	48,135	-	-	36,000	9,630	241,000	57,765
2021	220,000	39,115	-	-	37,000	8,550	257,000	47,665
2022	230,000	29,325	-	-	38,000	7,440	268,000	36,765
2023	95,000	18,975	-	-	844	-	95,844	18,975
2024	100,000	14,652	-	-	-	-	100,000	14,652
2025	105,000	10,053	-	-	-	-	105,000	10,053
2026	110,000	5,170	-	-	-	-	110,000	5,170
	<u>\$3,091,000</u>	<u>\$1,284,659</u>	<u>\$ 325,646</u>	<u>\$ 81,696</u>	<u>\$ 445,844</u>	<u>\$ 194,789</u>	<u>\$3,862,490</u>	<u>\$1,561,144</u>

Urban Renewal Tax Increment Financing Revenue Bonds

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, 2008

(3) Bonds and Notes Payable (continued)

Revenue Bond

The City has pledged future sewer customer receipts, net of operating disbursements, to repay \$445,844 in a sewer revenue bond issued February 2008. Proceeds from the bond provided financing for the construction of improvements and extensions to the sewer treatment plant. The bond is payable solely from sewer customer net receipts and are payable through 2023.

(4) Capital Lease

The City of Grundy Center is the lessee of various equipment under a capital lease through the fiscal year ending June 30, 2010, with interest rates ranging from 4% to 7%. Minimum future lease payments under this lease are as follows:

June 30, 2009	\$	30,517
June 30, 2010		<u>22,888</u>
Total minimum lease payments		53,405
Less amount representing interest		<u>1,956</u>
Present value of net minimum lease payments	\$	<u>51,449</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, 2008, \$133,348 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, 2008, \$211 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, 2008, \$11,032 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.

CITY OF GRUNDY CENTER

Notes to Financial Statements

June 30, 2008

(5) Interfund Loan (continued)

The City has authorized the use of Capital Projects Fund - Community Betterment resources to help finance the Swimming Pool Reserve - Capital Projects Fund. At June 30, 2008, \$20,000 is due from the Capital Projects - Swimming Pool Reserve Fund. The loan is expected to be repaid at the time of the closing of the Pool Construction Fund.

The City has authorized the use of Enterprise Fund - Sanitation resources to help finance the Swimming Pool Reserve - Capital Projects Fund. At June 30, 2008, \$75,000 is due from the Capital Projects - Swimming Pool Reserve Fund. 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, 2008, \$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 within the urban renewal area.

(6) Deficit Fund Balance

The following fund-accounts had deficit fund balances at June 30, 2008:

Special Revenue - Special Assessments	\$ (12,140)
Capital Projects - Housing Rehabilitation	(11,456)
Debt Service - TIF Debt Service	(21,638)

(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.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$37,780, \$35,640 and \$37,191, 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, 2008

(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 for subsequent use or for payment upon termination, retirement or death. 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, 2008, is \$53,869. This liability has been computed based on rates of pay in effect at June 30, 2008.

(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. Then in June 2008 the Council extended this benefit until such time as the former employee qualifies for Medicare coverage.

(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, 2008

(11) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Employer's Contribution	\$ 204,066
Debt Service: TIF	Special Revenue: Employer's Contribution	41,420
Special Revenue: TIF Projects	Special Revenue: Employer's Contribution	78,833
Debt Service: TIF	Special Revenue: TIF Projects	60,228
Special Revenue: Special Assessment	Debt Service	4,773
Enterprise: Sanitation	Debt Service	222
Capital Projects: Equipment Reserve	General	7,805
Capital Projects: Police Reserve	General	8,000
Capital Projects: Community Betterment	General	600
Special Revenue: Special Revenue	General	86
Enterprise: Water Reserve	Special Revenue: Special Assessments	1,165
Enterprise: Sewer Reserve	Special Revenue: Special Assessments	1,165
Enterprise: Sanitation Reserve	Special Revenue: Special Assessments	1,521
Enterprise: Ambulance Trust	Enterprise: Ambulance	50,000
Enterprise: Sanitation Reserve	Capital Projects: Swimming Pool Reserve	150,000

CITY OF GRUNDY CENTER

Notes to Financial Statements

June 30, 2008

(11) Interfund Transfers (continued)

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Capital Projects: Swimming Pool Reserve	Enterprise: Sanitation Reserve	75,000
Capital Projects: Community Betterment	Capital Projects: GC Police Reserve	4,765
Capital Projects: Swimming Pool Reserve	Capital Projects: Community Betterment	20,000
Capital Projects: Sports Rec Complex	Capital Projects: Community Betterment	<u>43,854</u>
Total		<u>\$ 753,504</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 has entered into numerous contracts totaling \$3,954,547 for the Grundy Center Housing Rehabilitation Program, Highway 14 Overlay, Aquatic Facility, and Wastewater Treatment improvements. There was \$3,470,597 in disbursements through June 30, 2008, resulting in a commitment as of June 30, 2008 of \$483,950.

(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 landfill is closed and is in the postclosure stage. The estimated cost of postclosure is approximately \$796,183, all of which has been funded.

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, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required to be Budgeted
RECEIPTS:			
Property tax	\$ 846,224	\$ -	\$ -
Tax increment financing collections	134,272	-	-
Other city tax	177,878	-	-
Licenses and permits	5,066	-	-
Use of money and property	105,295	114,758	-
Intergovernmental	298,492	28,172	-
Charges for services	4,995	939,898	-
Special assessments	60,213	-	-
Miscellaneous	342,221	51,813	-
	<hr/>	<hr/>	<hr/>
Total receipts	1,974,656	1,134,641	-
DISBURSEMENTS:			
Operating:			
Public safety	285,389	-	-
Public works	463,046	-	-
Health and social services	4,520	-	-
Culture and recreation	303,227	-	-
Community and economic development	149,609	-	-
General government	185,502	-	-
Debt service	173,397	-	-
Capital projects	2,983,860	-	-
Business type activities	-	1,604,791	-
	<hr/>	<hr/>	<hr/>
Total disbursements	4,548,550	1,604,791	-
Excess (deficiency) of receipts over (under) disbursements	(2,573,894)	(470,150)	-
OTHER FINANCING SOURCES (USES), NET	<hr/>	<hr/>	<hr/>
	2,623,327	523,281	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	49,433	53,131	-
BALANCES, BEGINNING OF YEAR	<hr/>	<hr/>	<hr/>
	718,010	1,313,579	-
BALANCES, END OF YEAR	<hr/>	<hr/>	<hr/>
	\$ 767,443	\$ 1,366,710	\$ -

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$ 846,224	\$ 845,619	\$ 845,619	\$ 605
134,272	111,600	129,600	4,672
177,878	170,671	170,671	7,207
5,066	7,550	7,550	(2,484)
220,053	166,831	226,831	(6,778)
326,664	507,020	507,020	(180,356)
944,893	1,007,103	1,007,103	(62,210)
60,213	5,000	5,000	55,213
<u>394,034</u>	<u>262,750</u>	<u>285,050</u>	<u>108,984</u>
<u>3,109,297</u>	<u>3,084,144</u>	<u>3,184,444</u>	<u>(75,147)</u>
285,389	278,046	285,046	(343)
463,046	638,774	645,274	182,228
4,520	4,020	4,520	-
303,227	301,035	326,035	22,808
149,609	15,038	21,038	(128,571)
185,502	196,909	196,909	11,407
173,397	205,394	223,394	49,997
2,983,860	3,152,883	3,217,883	234,023
<u>1,604,791</u>	<u>1,775,721</u>	<u>1,800,721</u>	<u>195,930</u>
<u>6,153,341</u>	<u>6,567,820</u>	<u>6,720,820</u>	<u>567,479</u>
(3,044,044)	(3,483,676)	(3,536,376)	492,332
<u>3,146,608</u>	<u>3,380,000</u>	<u>3,380,000</u>	<u>(233,392)</u>
102,564	(103,676)	(156,376)	258,940
<u>2,031,589</u>	<u>2,381,988</u>	<u>2,381,988</u>	<u>(350,399)</u>
<u>\$ 2,134,153</u>	<u>\$ 2,278,312</u>	<u>\$ 2,225,612</u>	<u>\$ (91,459)</u>

See accompanying independent auditor's report.

CITY OF GRUNDY CENTER

Notes to Required Supplementary Information- Budgetary Reporting

June 30, 2008

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 increased budgeted disbursements by \$153,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the public safety 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, 2008

	Special Revenue	Debt Service	TIF Debt Service	Capital Projects	Totals
RECEIPTS:					
Property tax	\$ -	\$ 64,987	\$ -	\$ -	\$ 64,987
Tax increment financing collections	73	-	-	-	73
Other city tax	-	521	-	85,672	86,193
Use of money and property	2,280	327	-	4,912	7,519
Intergovernmental	-	-	-	44,114	44,114
Special assessments	-	4,995	-	-	4,995
Charges for services	-	-	-	24,685	24,685
Miscellaneous	31,510	-	-	19,000	50,510
	<u>33,863</u>	<u>70,830</u>	<u>-</u>	<u>178,383</u>	<u>283,076</u>
Total receipts					
DISBURSEMENTS:					
Operating:					
Public safety	5,713	-	-	235	5,948
Public works	-	15,300	-	-	15,300
Culture and recreation	38,968	-	-	-	38,968
Community and economic development	5,900	-	-	134,304	140,204
Debt service	-	50,110	123,287	-	173,397
Capital projects	20,387	-	-	7,666	28,053
	<u>70,968</u>	<u>65,410</u>	<u>123,287</u>	<u>142,205</u>	<u>401,870</u>
Total disbursements					
Excess (deficiency) of receipts over (under) disbursements	<u>(37,105)</u>	<u>5,420</u>	<u>(123,287)</u>	<u>36,178</u>	<u>(118,794)</u>
OTHER FINANCING SOURCES (USES):					
Sale of property	-	-	-	2,400	2,400
Operating transfers in	83,606	-	101,649	57,219	242,474
Operating transfers out	(64,079)	(4,995)	-	(68,619)	(137,693)
	<u>19,527</u>	<u>(4,995)</u>	<u>101,649</u>	<u>(9,000)</u>	<u>107,181</u>
Net other financing sources (uses)					

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>TIF Debt Service</u>	<u>Capital Projects</u>	<u>Totals</u>
NET CHANGE IN CASH BALANCE	(17,578)	425	(21,638)	27,178	(11,613)
CASH BALANCE, BEGINNING OF YEAR	<u>89,790</u>	<u>5,252</u>	<u>-</u>	<u>158,137</u>	<u>253,179</u>
CASH BALANCE, END OF YEAR	<u>\$ 72,212</u>	<u>\$ 5,677</u>	<u>\$ (21,638)</u>	<u>\$ 185,315</u>	<u>\$ 241,566</u>
CASH BASIS FUND BALANCE:					
Reserved:					
Debt service	\$ -	\$ 5,677	\$ -	\$ -	\$ 5,677
Unreserved:					
Special revenue funds	72,212	-	-	-	72,212
Capital project funds	-	-	-	185,315	185,315
Debt service	<u>-</u>	<u>-</u>	<u>(21,638)</u>	<u>-</u>	<u>(21,638)</u>
Total cash basis fund balance	<u>\$ 72,212</u>	<u>\$ 5,677</u>	<u>\$ (21,638)</u>	<u>\$ 185,315</u>	<u>\$ 241,566</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, 2008

	Water Reserve	Ambulance	Ambulance Trust	Sanitation Reserve	Totals
OPERATING RECEIPTS:					
Intergovernmental	\$ -	\$ 6,210	\$ 6,227	\$ -	\$ 12,437
Charges for services	-	75,237	-	-	75,237
Miscellaneous	-	39	1,000	3,066	4,105
	<u>-</u>	<u>81,486</u>	<u>7,227</u>	<u>3,066</u>	<u>91,779</u>
Total operating receipts	-	81,486	7,227	3,066	91,779
OPERATING DISBURSEMENTS:					
Business type activities:					
Sanitation	-	-	-	21,622	21,622
Ambulance	-	67,839	-	-	67,839
	<u>-</u>	<u>67,839</u>	<u>-</u>	<u>21,622</u>	<u>89,461</u>
Total operating disbursements	-	67,839	-	21,622	89,461
Excess (deficiency) of operating receipts over (under) disbursements	-	13,647	7,227	(18,556)	2,318
NONOPERATING RECEIPTS (DISBURSEMENTS):					
Interest on investments	21,570	5,148	2,200	9,358	38,276
	<u>21,570</u>	<u>5,148</u>	<u>2,200</u>	<u>9,358</u>	<u>38,276</u>
Excess (deficiency) of receipts over (under) disbursements	21,570	18,795	9,427	(9,198)	40,594
	<u>21,570</u>	<u>18,795</u>	<u>9,427</u>	<u>(9,198)</u>	<u>40,594</u>

	<u>Water Reserve</u>	<u>Ambulance</u>	<u>Ambulance Trust</u>	<u>Sanitation Reserve</u>	<u>Totals</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	1,165	-	50,000	151,521	202,686
Operating transfers out	-	(50,000)	-	(75,000)	(125,000)
Net other financing sources (uses)	<u>1,165</u>	<u>(50,000)</u>	<u>50,000</u>	<u>76,521</u>	<u>77,686</u>
NET CHANGE IN CASH BALANCE	22,735	(31,205)	59,427	67,323	118,280
CASH BALANCE, BEGINNING OF YEAR	<u>78,229</u>	<u>122,303</u>	<u>55,894</u>	<u>47,087</u>	<u>303,513</u>
CASH BALANCE, END OF YEAR	<u>\$ 100,964</u>	<u>\$ 91,098</u>	<u>\$ 115,321</u>	<u>\$ 114,410</u>	<u>\$ 421,793</u>
CASH BASIS FUND BALANCE:					
Reserved:					
Capital improvement	\$ 100,964	\$ -	\$ 115,321	\$ 114,410	\$ 330,695
Unreserved	-	91,098	-	-	91,098
Total cash basis fund balance	<u>\$ 100,964</u>	<u>\$ 91,098</u>	<u>\$ 115,321</u>	<u>\$ 114,410</u>	<u>\$ 421,793</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, 2008

	Library Gift Trust	Fire Dept Gift Trust	Admin- Econ Development Gift Trust	Park Board Gift Trust
RECEIPTS:				
Tax increment financing collections	\$ -	\$ -	\$ -	\$ -
Use of money and property	1,049	52	-	531
Miscellaneous	8,116	10,576	4,100	-
Total receipts	9,165	10,628	4,100	531
DISBURSEMENTS:				
Operating:				
Public Safety	-	5,713	-	-
Culture and recreation	38,568	-	-	-
Community and economic development	-	-	4,100	-
Capital projects	-	-	-	-
Total disbursements	38,568	5,713	4,100	-
Excess (deficiency) of receipts over (under) disbursements	(29,403)	4,915	-	531
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Net other financing sources (uses)	-	-	-	-
NET CHANGE IN CASH BALANCE	(29,403)	4,915	-	531
CASH BALANCE, BEGINNING OF YEAR	36,665	2,600	-	13,027
CASH BALANCE, END OF YEAR	\$ 7,262	\$ 7,515	\$ -	\$ 13,558
CASH BASIS FUND BALANCE:				
Unreserved:				
Special revenue funds	\$ 7,262	\$ 7,515	\$ -	\$ 13,558

Schedule 3

Community Center Gift Trust	Ambulance Gift Trust	Tree Gift Trust	Visioning Grant	TIF Projects	Special Assessment Projects	Totals
\$ -	\$ -	\$ -	\$ -	\$ 73	\$ -	\$ 73
307	220	-	-	121	-	2,280
6	2,712	2,200	3,800	-	-	31,510
<u>313</u>	<u>2,932</u>	<u>2,200</u>	<u>3,800</u>	<u>194</u>	<u>-</u>	<u>33,863</u>
-	-	-	-	-	-	5,713
-	400	-	-	-	-	38,968
-	-	1,800	-	-	-	5,900
-	-	-	-	19,465	922	20,387
<u>-</u>	<u>400</u>	<u>1,800</u>	<u>-</u>	<u>19,465</u>	<u>922</u>	<u>70,968</u>
<u>313</u>	<u>2,532</u>	<u>400</u>	<u>3,800</u>	<u>(19,271)</u>	<u>(922)</u>	<u>(37,105)</u>
-	-	-	-	78,833	4,773	83,606
-	-	-	-	(60,228)	(3,851)	(64,079)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,605</u>	<u>922</u>	<u>19,527</u>
313	2,532	400	3,800	(666)	-	(17,578)
<u>7,859</u>	<u>5,802</u>	<u>1,410</u>	<u>(36)</u>	<u>34,603</u>	<u>(12,140)</u>	<u>89,790</u>
<u>\$ 8,172</u>	<u>\$ 8,334</u>	<u>\$ 1,810</u>	<u>\$ 3,764</u>	<u>\$ 33,937</u>	<u>\$ (12,140)</u>	<u>\$ 72,212</u>
<u>\$ 8,172</u>	<u>\$ 8,334</u>	<u>\$ 1,810</u>	<u>\$ 3,764</u>	<u>\$ 33,937</u>	<u>\$ (12,140)</u>	<u>\$ 72,212</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, 2008

	<u>Sports Recreation Complex</u>	<u>Nonmajor Continuing Projects</u>	<u>Fire Equipment Reserve</u>
RECEIPTS:			
Other city taxes	\$ -	\$ -	\$ -
Use of money and property	-	-	3,330
Intergovernmental	-	-	-
Charges for services	-	-	24,685
Miscellaneous	-	17,603	-
	<hr/>	<hr/>	<hr/>
Total receipts	-	17,603	28,015
	<hr/>	<hr/>	<hr/>
DISBURSEMENTS:			
Public safety	-	-	-
Community and economic development	-	-	-
Capital projects	115	7,551	-
	<hr/>	<hr/>	<hr/>
Total disbursements	115	7,551	-
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of receipts over (under) disbursements	(115)	10,052	28,015
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES):			
Sale of property	-	2,400	-
Operating transfers in	43,854	-	-
Operating transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
Net other financing sources(uses)	43,854	2,400	-
	<hr/>	<hr/>	<hr/>
NET CHANGE IN CASH BALANCE	43,739	12,452	28,015
CASH BALANCE, BEGINNING OF YEAR	(43,739)	32,093	78,274
	<hr/>	<hr/>	<hr/>
CASH BALANCE, END OF YEAR	\$ -	\$ 44,545	\$ 106,289
	<hr/>	<hr/>	<hr/>
CASH BASIS FUND BALANCE:			
Unreserved:			
Capital project funds	\$ -	\$ 44,545	\$ 106,289
	<hr/>	<hr/>	<hr/>

Schedule 4

Grundy Center Police Reserve	Grundy Center Fire Auxilliary	Community Betterment	Housing Rehabilitation	D & D Program	Totals
\$ -	\$ -	\$ 85,672	\$ -	\$ -	\$ 85,672
55	-	1,527	-	-	4,912
-	-	-	44,114	-	44,114
-	-	-	-	-	24,685
1,271	-	-	-	126	19,000
<u>1,326</u>	<u>-</u>	<u>87,199</u>	<u>44,114</u>	<u>126</u>	<u>178,383</u>
235	-	-	-	-	235
-	-	79,993	50,174	4,137	134,304
-	-	-	-	-	7,666
<u>235</u>	<u>-</u>	<u>79,993</u>	<u>50,174</u>	<u>4,137</u>	<u>142,205</u>
<u>1,091</u>	<u>-</u>	<u>7,206</u>	<u>(6,060)</u>	<u>(4,011)</u>	<u>36,178</u>
-	-	-	-	-	2,400
8,000	-	5,365	-	-	57,219
(4,765)	-	(63,854)	-	-	(68,619)
<u>3,235</u>	<u>-</u>	<u>(58,489)</u>	<u>-</u>	<u>-</u>	<u>(9,000)</u>
4,326	-	(51,283)	(6,060)	(4,011)	27,178
<u>3,295</u>	<u>-</u>	<u>89,053</u>	<u>(5,396)</u>	<u>4,557</u>	<u>158,137</u>
<u>\$ 7,621</u>	<u>\$ -</u>	<u>\$ 37,770</u>	<u>\$ (11,456)</u>	<u>\$ 546</u>	<u>\$ 185,315</u>
<u>\$ 7,621</u>	<u>\$ -</u>	<u>\$ 37,770</u>	<u>\$ (11,456)</u>	<u>\$ 546</u>	<u>\$ 185,315</u>

CITY OF GRUNDY CENTER

Statement of Indebtedness

Year Ended June 30, 2008

<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
Urban Renewal Aquatic Center	July 15, 2007	4.20%-4.95%	1,500,000
Urban Renewal Aquatic Center	July 15, 2007	4.20%-4.95%	1,200,000
Total			
Revenue bond:			
Sewer Revenue Bonds	February 26, 2008	3.00%	445,844
Urban renewal tax increment financing (TIF) revenue bonds:			
TIF revenue bond	August 19, 1996	8.00%	200,000
TIF revenue bond	March 20, 2000	6.50%	135,000
TIF revenue bond	August 6, 2001	6.50%	55,000
TIF revenue bond	August 6, 2001	6.50%	57,000
TIF revenue bond	June 30, 2004	5.25%	268,000
Total			
Capital lease obligations:			
Capital lease - heating/cooling	March 7, 2005	4.10%	137,750
Total indebtedness			

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>
\$ 99,000	\$ -	\$ 33,000	\$ 66,000	\$ -	\$ -
340,000	-	15,000	325,000	17,110	-
-	1,500,000	-	1,500,000	61,073	-
<u>-</u>	<u>1,200,000</u>	<u>-</u>	<u>1,200,000</u>	<u>48,232</u>	<u>-</u>
439,000	2,700,000	48,000	3,091,000	126,415	-
<u>-</u>	<u>445,844</u>	<u>-</u>	<u>445,844</u>	<u>1,883</u>	<u>-</u>
44,177	-	29,691	14,486	2,911	-
73,248	-	16,953	56,295	4,422	-
20,948	-	11,724	9,224	1,314	-
25,320	-	9,577	15,743	1,489	-
<u>249,443</u>	<u>-</u>	<u>19,545</u>	<u>229,898</u>	<u>12,843</u>	<u>-</u>
413,136	-	87,490	325,646	22,979	-
<u>79,236</u>	<u>-</u>	<u>27,787</u>	<u>51,449</u>	<u>2,730</u>	<u>-</u>
<u>\$ 931,372</u>	<u>\$ 3,145,844</u>	<u>\$ 163,277</u>	<u>\$ 3,913,939</u>	<u>\$ 154,007</u>	<u>\$ -</u>

CITY OF GRUNDY CENTER

Bond and Note Maturities

June 30, 2008

General Obligation Loans

Year ending June 30,	Rural Economic Development Loan Issued August 12, 1999		Storm Sewer Project Loan Issued June 1, 2002		Urban Renewal Aquatic Center Issued July 15, 2007	
	Principal	Interest Rates	Principal	Interest Rates	Principal	Interest Rates
2009	\$ 33,000	-	\$ 20,000	4.60%	\$ 80,000	4.95%
2010	33,000	-	20,000	4.80%	85,000	4.95%
2011	-	-	50,000	4.90%	100,000	4.95%
2012	-	-	55,000	5.00%	95,000	4.95%
2013	-	-	55,000	5.10%	95,000	4.95%
2014	-	-	60,000	5.20%	100,000	4.95%
2015	-	-	65,000	5.30%	100,000	4.95%
2016	-	-	-	-	110,000	4.55%
2017	-	-	-	-	110,000	4.20%
2018	-	-	-	-	115,000	4.30%
2019	-	-	-	-	120,000	4.35%
2020	-	-	-	-	120,000	4.40%
2021	-	-	-	-	130,000	4.45%
2022	-	-	-	-	140,000	4.50%
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
	<u>\$ 66,000</u>		<u>\$ 325,000</u>		<u>\$ 1,500,000</u>	

Year ending June 30,	Urban Renewal Tax Increment Issued August 19, 1996		Urban Renewal Tax Increment Issued March 20, 2000		Urban Renewal Tax Increment Issued August 6, 2001	
	Principal	Interest Rates	Principal	Interest Rates	Principal	Interest Rates
2009	\$ 5,567	8.00%	\$ 6,828	6.50%	\$ 2,260	6.50%
2010	5,829	8.00%	6,984	6.50%	2,175	6.50%
2011	3,090	8.00%	7,446	6.50%	2,318	6.50%
2012	-	-	7,937	6.50%	2,471	6.50%
2013	-	-	8,462	6.50%	-	-
2014	-	-	9,021	6.50%	-	-
2015	-	-	9,617	6.50%	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
	<u>\$ 14,486</u>		<u>\$ 56,295</u>		<u>\$ 9,224</u>	

Urban Renewal Aquatic Center Issued July 15, 2007			Revenue Bond Sewer Revenue Bond Issued February 26, 2008		
Principal	Interest Rates	Total	Principal	Interest Rates	
\$ -	4.95%	\$ 133,000	\$ 26,000	3.00%	
-	4.95%	\$ 138,000	27,000	3.00%	
-	4.95%	\$ 150,000	28,000	3.00%	
30,000	4.95%	\$ 180,000	29,000	3.00%	
60,000	4.95%	\$ 210,000	29,000	3.00%	
65,000	4.95%	\$ 225,000	30,000	3.00%	
70,000	4.95%	\$ 235,000	31,000	3.00%	
70,000	4.55%	\$ 180,000	32,000	3.00%	
75,000	4.20%	\$ 185,000	33,000	3.00%	
75,000	4.30%	\$ 190,000	34,000	3.00%	
80,000	4.35%	\$ 200,000	35,000	3.00%	
85,000	4.40%	\$ 205,000	36,000	3.00%	
90,000	4.45%	\$ 220,000	37,000	3.00%	
90,000	4.50%	\$ 230,000	38,000	3.00%	
95,000	4.55%	\$ 95,000	844	3.00%	
100,000	4.60%	\$ 100,000	-	-	
105,000	4.65%	\$ 105,000	-	-	
110,000	4.70%	110,000	-	-	
<u>\$ 1,200,000</u>		<u>\$ 3,091,000</u>	<u>\$ 445,844</u>		

Urban Renewal Tax Increment Issued August 6, 2001			Urban Renewal Tax Increment Issued June 30, 2004		
Principal	Interest Rates	Total	Principal	Interest Rates	Total
\$ 4,969	6.50%	\$ 20,403	\$ 20,403	5.25%	\$ 40,028
5,215	6.50%	21,503	21,503	5.25%	41,705
5,559	6.50%	22,662	22,662	5.25%	41,075
-	-	23,862	23,862	5.25%	34,271
-	-	25,170	25,170	5.25%	33,632
-	-	26,526	26,526	5.25%	35,547
-	-	27,956	27,956	5.25%	37,573
-	-	29,456	29,456	5.25%	29,456
-	-	32,360	32,360	5.25%	32,360
<u>\$ 15,743</u>		<u>\$ 229,898</u>			<u>\$ 325,646</u>

CITY OF GRUNDY CENTER

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

For the Last Five Years

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
RECEIPTS:					
Property tax	\$ 846,224	\$ 878,983	\$ 793,576	\$ 769,143	\$ 712,802
Tax increment financing collections	134,272	113,161	98,702	86,642	92,621
Other city tax	177,878	181,982	159,582	144,166	139,534
Licenses and permits	5,066	5,206	7,485	7,928	6,015
Use of money and property	105,295	57,244	55,810	47,291	44,224
Intergovernmental	298,492	288,327	516,825	340,691	380,403
Charges for service	4,995	25,634	26,378	74,076	80,414
Special assessments	60,213	60,217	85,245	65,316	36,762
Miscellaneous	<u>342,221</u>	<u>124,300</u>	<u>225,084</u>	<u>117,547</u>	<u>121,837</u>
Total	<u>\$ 1,974,656</u>	<u>\$ 1,735,054</u>	<u>\$ 1,968,687</u>	<u>\$ 1,652,800</u>	<u>\$ 1,614,612</u>
DISBURSEMENTS:					
Operating:					
Public safety	\$ 285,389	\$ 262,614	\$ 284,886	\$ 275,918	\$ 269,802
Public works	463,046	451,869	587,681	406,261	449,217
Health and social services	4,520	4,020	4,020	4,020	4,020
Culture and recreation	303,227	290,401	317,876	310,284	291,491
Community and economic development	149,609	181,294	206,680	139,621	185,187
General government	185,502	177,220	185,679	167,467	173,380
Debt service	173,397	50,740	51,340	51,903	52,413
Capital projects	<u>2,983,860</u>	<u>565,344</u>	<u>457,461</u>	<u>445,228</u>	<u>144,579</u>
Total	<u>\$ 4,548,550</u>	<u>\$ 1,983,502</u>	<u>\$ 2,095,623</u>	<u>\$ 1,800,702</u>	<u>\$ 1,570,089</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, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated January 19, 2009, 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Grundy Center'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, including deficiencies we consider to be material weaknesses.

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 City of Grundy Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood that a misstatement of the City of Grundy Center's financial statements that is more than inconsequential will not be prevented or detected by the City of Grundy Center's internal control. We consider the deficiencies described in Part II of the accompanying schedule of findings 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 City of Grundy Center'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, of the significant deficiencies described above, we believe items II-B-08 and II-C-08 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 no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters 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, 2008, 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 comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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
January 19, 2009

CITY OF GRUNDY CENTER

Schedule of Findings

Year Ended June 30, 2008

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, including material weaknesses.
3. The audit did not disclose any non-compliance which is material to the financial statements.

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS

SIGNIFICANT DEFICIENCIES:

II-A-08: 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, 2008

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

II-B-08: 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-08: 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 than material, but more inconsequential, would be identified and corrected.

CITY OF GRUNDY CENTER

Schedule of Findings

Year Ended June 30, 2008

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

II-C-08: 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 reporting and disclosure 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.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF GRUNDY CENTER

Schedule of Findings

Year Ended June 30, 2008

PART III: FINDINGS RELATED TO STATUTORY REPORTING

- III-A-2008 Certified Budget - Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the public safety and community and economic development functions 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-2008 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-2008 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-2008 Business Transactions - We noted no business transactions between the City and City officials or employees.
- III-E-2008 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-2008 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-2008 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-2008 Revenue Bonds - No instances of non-compliance with the revenue bond and note resolutions were noted.

CITY OF GRUNDY CENTER

Schedule of Findings

Year Ended June 30, 2008

PART III: FINDINGS RELATED TO STATUTORY REPORTING (CONTINUED)

III-I-2008 Financial Condition - The City had deficit balances in the Special Revenue - Special Assessments, Capital Projects - Housing Rehabilitation and the Debt Service - TIF Debt Service funds.

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-2008 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.

III-K-2008 Certified Budget - The City did not certify the budget prior to March 15, as required by Chapter 24.17 of the Code of Iowa.

Recommendation - City Council should certify the budget prior to March 15.

Response - We will certify the budget prior to March 15 in the future, as required.

Conclusion - Response accepted.

CITY OF GRUNDY CENTER

Audit Staff

This audit was performed by:

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Justin Zimmerman, CPA, Manager

Josh Barta, Associate

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