

CITY OF GRISWOLD

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

JUNE 30, 2008

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CITY OF GRISWOLD

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2008)		
Jerry Putnam	Mayor	Jan 2008
Dan Rossell	Council Member	Jan 2008
Tom Sandbothe	Council Member	Jan 2008
Paul Stein	Council Member	Jan 2008
Derik Shields	Council Member	Jan 2010
Lee Wyman	Council Member	Jan 2010

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(After January 2008)		
Jerry Putnam	Mayor	Jan 2010
Derik Shields	Council Member	Jan 2010
Lee Wyman	Council Member	Jan 2010
Gary Bergstrom	Council Member	Jan 2012
Kevin Carlisle	Council Member	Jan 2012
Phil Rink	Council Member	Jan 2012
Dawn Ridlen	City Clerk	Indefinite
Brian Daiker	Attorney	Indefinite

CITY OF GRISWOLD

December 4, 2008

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Griswold, 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. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2007.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2007, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Griswold as of June 30, 2008, 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.

Continued...

City of Griswold
Independent Auditors' Report

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 4, 2008 on our consideration of the City of Griswold's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 11 and 28 through 30 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Griswold's basic financial statements. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2007, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Griswold 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.

Since the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

2008 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental funds increased by approximately \$131,000.
- The cash basis net assets of the City's business type activities increased by approximately \$55,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

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

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

Basis of Accounting

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund, and 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

A reconciliation between governmental activities reported in the government-wide financial statement and the governmental fund financial statement follows the governmental fund financial statement.

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

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

Business type activities reported in the government-wide financial statement are the same as reported for the Enterprise Funds in the proprietary fund financial statement.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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, from \$603,920 to \$734,721. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	Year Ended June 30, 2008
Receipts and Transfers:	
Program receipts:	
Charges for service	\$ 90,704
Operating grants, contributions and restricted interest	204,001
Capital grants, contributions and restricted interest	7,383
General receipts:	
Property tax	257,894
Local option sales tax	91,382
Grants and contributions not restricted to specific purposes	7,983
Unrestricted investment earnings	1,741
Transfers, net	130,999
Total receipts and transfers	<u>792,087</u>
Disbursements:	
Public safety	130,255
Public works	105,693
Culture and recreation	94,089
Community and economic development	28,913
General government	59,111
Debt service	243,225
Total disbursements	<u>661,286</u>
Increase in cash basis net assets	130,801
Cash basis net assets beginning of year	<u>603,920</u>
Cash basis net assets end of year	\$ <u><u>734,721</u></u>

The total business type activities cash balance increased from a year ago, from \$270,531 to \$325,433.

Changes in Cash Basis Net Assets of Business Type Activities

	Year Ended June 30, 2008
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 228,141
Sewer	140,036
Operating grants, contributions and restricted interest	19,969
General receipts:	
Miscellaneous	28,540
Unrestricted interest on investments	10,062
Total receipts	<u>426,748</u>
Disbursements and transfers:	
Water	132,669
Sewer	108,178
Transfers	130,999
Total disbursements and transfers	<u>371,846</u>
Increase in cash balance	54,902
Cash basis net assets beginning of year	<u>270,531</u>
Cash basis net assets end of year	\$ <u><u>325,433</u></u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Griswold completed the year, its governmental funds reported a combined fund balance of \$734,721, an increase of approximately \$131,000 above last year's total of \$603,920. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$29,692 from the prior year to \$64,894.
- The Road Use Tax Fund cash balance increased by \$2,611 to \$2,095
- The Local Option Sales Tax Fund cash balance increased by \$32,133 to \$25,785 during the fiscal year. This increase was attributable to an increase in local option sales tax collections this fiscal year. The City intends to use this money for capital improvements, community betterment, community protection and property tax relief.
- The Community Center Fund cash balance decreased \$1,211 to \$134,252. The decrease was due to lower interest rates resulting in a reduction in receipts for operating costs.
- The Cemetery Trust Fund cash balance was \$121,178, an increase of \$5,300 from the previous year. The increase was the result of interest on investments recorded for the fiscal year.
- The Griswold Rescue Squad cash balance increased by \$17,287 to \$118,201 due to donations.
- The Debt Service Fund cash balance increased by \$604 to \$1,816.
- The Capital Projects Fund cash balance increased by \$31,817 to \$190,567. This increase was due to transfers from other funds.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased \$59,560 to \$277,571. This increase was due primarily to an increase in water rates.
- The Sewer Fund cash balance decreased \$4,658 to \$47,862. The decrease was due to a transfer of funds for equipment purchases.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The amendments resulted in an increase in operating disbursements of \$136,800. Most of the increase is related to expenses caused by flooding. The City utilized grants and reimbursements to absorb these additional costs.

DEBT ADMINISTRATION

At June 30, 2008, the City had approximately \$1,303,000 in bonds and other long-term debt, compared to approximately \$1,484,000 last year. The chart below segregates the City's debt into its component parts.

Outstanding Debt at Year-End	
	<u>Year Ending</u> <u>June 30, 2008</u>
General obligation notes	\$ 785,000
Revenue notes	<u>518,000</u>
Total	\$ <u>1,303,000</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is \$785,000, below its constitutional debt limit of approximately \$1,525,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Griswold's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates and fees that will be charged for various City activities. The City's FY 2009 assessed value has increased \$1,064,837 from the FY 2008 level.

The proposed FY 2009 budget includes total receipts of \$1,262,586 and disbursements of \$1,114,465. This budget is consistent with the FY 2008 budget, which included total receipts of \$1,289,600 and disbursements of \$1,111,228.

The proposed FY 2009 levy is \$13.65896 per \$1,000 assessed valuation, a decrease from \$13.98197 per \$1,000 in 2008.

These parameters were taken into account when adopting the budget for FY 2009.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dawn Ridlen, City Clerk, 601 2nd Street, Griswold, Iowa 51535.

CITY OF GRISWOLD

BASIC FINANCIAL STATEMENTS

City of Griswold
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2008

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 130,255	90,383	43,512	1,613
Public works	105,693	-	93,465	651
Culture and recreation	94,089	75	38,977	5,119
Community and economic development	28,913	-	11,540	-
General government	59,111	246	16,507	-
Debt service	243,225	-	-	-
Total governmental activities	<u>661,286</u>	<u>90,704</u>	<u>204,001</u>	<u>7,383</u>
Business type activities:				
Water	132,669	228,141	-	-
Sewer	108,178	140,036	19,969	-
Total business type activities	<u>240,847</u>	<u>368,177</u>	<u>19,969</u>	<u>-</u>
Total	\$ <u>902,133</u>	<u>458,881</u>	<u>223,970</u>	<u>7,383</u>
General Receipts:				
Property tax levied for:				
General purposes				
Employee benefits				
Tax increment financing				
Debt service				
Local option sales tax				
Grants and contributions not restricted to specific purpose				
Unrestricted interest on investments				
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				
Local option sales tax purposes				
Community center				
Cemetery				
Rescue				
Debt service				
Capital projects				
Other purposes				
Unrestricted				

See notes to financial statements.

Net (Disbursement) Receipts and
Changes in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total
5,253	-	5,253
(11,577)	-	(11,577)
(49,918)	-	(49,918)
(17,373)	-	(17,373)
(42,358)	-	(42,358)
(243,225)	-	(243,225)
(359,198)	-	(359,198)
-	95,472	95,472
-	51,827	51,827
-	147,299	147,299
(359,198)	147,299	(211,899)
144,163	-	144,163
34,476	-	34,476
36,647	-	36,647
42,608	-	42,608
91,382	-	91,382
7,983	-	7,983
1,741	10,062	11,803
-	28,540	28,540
130,999	(130,999)	-
489,999	(92,397)	397,602
130,801	54,902	185,703
603,920	270,531	874,451
\$ 734,721	325,433	1,060,154
\$ 2,095	-	2,095
25,785	-	25,785
134,252	-	134,252
127,178	-	127,178
59,360	-	59,360
1,816	-	1,816
190,567	-	190,567
99,082	-	99,082
94,586	325,433	420,019
\$ 734,721	325,433	1,060,154

City of Griswold
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2008

	Special			
	General	Road Use Tax	Local Option Sales Tax	Community Center
Receipts:				
Property tax	\$ 134,187	-	-	-
Tax increment financing collections	-	-	-	-
Other city tax	5,872	-	91,382	-
Licenses and permits	1,148	-	-	-
Use of money and property	8,843	-	-	15,408
Intergovernmental	15,795	89,014	11,540	-
Charges for service	75	-	-	-
Miscellaneous	40,838	-	-	-
Total receipts	206,758	89,014	102,922	15,408
Disbursements:				
Operating:				
Public safety	70,423	-	-	-
Public works	3,322	86,403	9,103	-
Culture and recreation	56,318	-	-	20,629
Community and economic development	14,722	-	14,191	-
General government	54,179	-	-	-
Debt service	-	-	-	-
Total disbursements	198,964	86,403	23,294	20,629
Excess (deficiency) of receipts over (under) disbursements	7,794	2,611	79,628	(5,221)
Other financing sources (uses):				
Operating transfers in	47,650	-	19,900	4,000
Operating transfers out	(25,752)	-	(67,395)	-
Total other financing sources (uses)	21,898	-	(47,495)	4,000
Net change in cash balances	29,692	2,611	32,133	(1,221)
Cash balances beginning of year	64,894	(516)	(6,348)	135,473
Cash balances end of year	\$ 94,586	2,095	25,785	134,252
Cash Basis Fund Balances				
Reserved:				
Debt service	\$ -	-	-	-
Unreserved:				
General fund	94,586	-	-	-
Special revenue funds	-	2,095	25,785	134,252
Capital projects fund	-	-	-	-
Total cash basis fund balances	\$ 94,586	2,095	25,785	134,252

See notes to financial statements

Revenue					
Cemetery Trust	Griswold Rescue	Debt Service	Capital Projects	Nonmajor	Total
-	-	42,608	-	38,580	215,375
-	-	-	-	36,647	36,647
-	-	-	-	-	97,254
-	-	-	-	-	1,148
5,300	-	-	6,383	975	36,909
-	-	-	-	3,850	120,199
-	89,481	-	-	-	89,556
-	1,485	-	1,000	20,677	64,000
<u>5,300</u>	<u>90,966</u>	<u>42,608</u>	<u>7,383</u>	<u>100,729</u>	<u>661,088</u>
-	41,265	-	-	18,567	130,255
-	-	-	-	6,865	105,693
-	-	-	3,006	14,136	94,089
-	-	-	-	-	28,913
-	-	-	-	4,932	59,111
-	-	243,225	-	-	243,225
<u>-</u>	<u>41,265</u>	<u>243,225</u>	<u>3,006</u>	<u>44,500</u>	<u>661,286</u>
5,300	49,701	(200,617)	4,377	56,229	(198)
-	-	201,221	37,440	-	310,211
-	(34,750)	-	(10,000)	(41,315)	(179,212)
<u>-</u>	<u>(34,750)</u>	<u>201,221</u>	<u>27,440</u>	<u>(41,315)</u>	<u>130,999</u>
5,300	14,951	604	31,817	14,914	130,801
<u>121,878</u>	<u>44,409</u>	<u>1,212</u>	<u>158,750</u>	<u>84,168</u>	<u>603,920</u>
<u>127,178</u>	<u>59,360</u>	<u>1,816</u>	<u>190,567</u>	<u>99,082</u>	<u>734,721</u>
-	-	1,816	-	-	1,816
-	-	-	-	-	94,586
127,178	59,360	-	-	99,082	447,752
<u>-</u>	<u>-</u>	<u>-</u>	<u>190,567</u>	<u>-</u>	<u>190,567</u>
<u>127,178</u>	<u>59,360</u>	<u>1,816</u>	<u>190,567</u>	<u>99,082</u>	<u>734,721</u>

City of Griswold
 Statement of Cash Receipts, Disbursements and Changes in Cash Balances
 Proprietary Funds
 As of and for the year ended June 30, 2008

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 228,141	140,036	368,177
Operating disbursements:			
Business type activities	<u>132,669</u>	<u>108,178</u>	<u>240,847</u>
Excess of operating receipts over operating disbursements	95,472	31,858	127,330
Non-operating receipts (disbursements):			
Interest on investments	7,903	2,159	10,062
Miscellaneous	12,000	16,540	28,540
Intergovernmental	-	19,969	19,969
Total non-operating receipts (disbursements)	<u>19,903</u>	<u>38,668</u>	<u>58,571</u>
Excess of receipts over disbursements	115,375	70,526	185,901
Other financing uses:			
Operating transfers out	<u>(55,815)</u>	<u>(75,184)</u>	<u>(130,999)</u>
Net change in cash balances	59,560	(4,658)	54,902
Cash balances beginning of year	<u>218,011</u>	<u>52,520</u>	<u>270,531</u>
Cash balances end of year	<u>\$ 277,571</u>	<u>47,862</u>	<u>325,433</u>
 Cash Basis Fund Balances			
Unreserved	<u>\$ 277,571</u>	<u>47,862</u>	<u>325,433</u>

See notes to financial statements

City of Griswold
Notes to Financial Statements
June 30, 2008

(1) Summary of Significant Accounting Policies

The City of Griswold is a political subdivision of the State of Iowa located in Cass County. It was first incorporated in 1879 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Griswold 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.

Blended Component Unit

The Griswold Rescue Squad is legally separate from the City but is so intertwined with the City that it is, in substance, part of the City. The Griswold Rescue Squad was organized under Chapter 504A of the Code of Iowa as a non-profit corporation. The Griswold Rescue Squad collects donations which are to be used to purchase items which are not included in the City's budget and to make donations to the City to help pay for equipment. The financial transactions have been reported by the City as a Special Revenue Fund, the Griswold Rescue Squad Account.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Cass County Assessor's Conference Board and Cass County Environmental Control Agency.

City of Griswold
Notes to Financial Statements
June 30, 2008

(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 program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

City of Griswold
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 Local Option Sales Tax (LOST) Fund is used to account for certain local option sales tax collections. The collections in this fund are used for tax relief, capital improvements, community betterment and community protection.

The Community Center Fund is used to account for funds left to the City by a former resident. The funds are used for the maintenance and general operations of the community center.

The Cemetery Trust Fund is used to account for funds held in trust from the Shepherd Estate to the Griswold Cemetery Association.

Griswold Rescue is used to account for the operations of the Griswold Rescue Squad.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's long-term debt.

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

The City reports the following major proprietary funds:

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

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

City of Griswold
Notes to Financial Statements
June 30, 2008

(1) Summary of Significant Accounting Policies - Continued

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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, 2008, disbursements exceeded the amounts budgeted in the public works function.

(2) Cash and Pooled Investments

The City's deposits in banks 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; 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.

City of Griswold
Notes to Financial Statements
June 30, 2008

(2) Cash and Pooled Investments - Continued

The City's cash in bank and certificates of deposit, totaled \$625,613 at June 30, 2008.

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$434,541 pursuant to Rule 2a-7 under the Investment Company Act of 1940, and are not subject to risk categorization.

Interest rate risk – The City's investment policy limits the investments of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in 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.

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Notes Principal	Revenue Notes Principal	Total Principal
2009	\$ 140,000	35,000	\$ 175,000
2010	115,000	36,000	151,000
2011	120,000	37,000	157,000
2012	90,000	39,000	129,000
2013	95,000	40,000	135,000
2014-2018	225,000	227,000	452,000
2019-2020	-	104,000	104,000
	<u>\$ 785,000</u>	<u>518,000</u>	<u>1,303,000</u>

Year Ending June 30,	General Obligation Notes Interest	Revenue Notes Interest	Total Interest
2009	33,098	20,306	53,404
2010	27,385	18,934	46,319
2011	22,700	17,522	40,222
2012	17,715	16,072	33,787
2013	13,985	14,543	28,528
2014-2018	16,072	47,746	63,818
2019-2020	-	6,154	6,154
	<u>\$ 130,955</u>	<u>141,277</u>	<u>272,232</u>

City of Griswold
Notes to Financial Statements
June 30, 2008

(3) Bonds and Notes Payable - Continued

Interest costs paid totaled \$60,292 for the year ended June 30, 2008.

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$1,525,000 which was not exceeded during the year ended June 30, 2008.

Revenue Notes – The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$750,000 in sewer revenue notes issued in June 2000. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2020. Annual principal and interest payments on the notes are expected to require less than 100 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$659,277. For the current year, principal and interest paid and total customer net receipts were \$54,599 and \$31,858, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions.

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate revenue note sinking account for the purpose of making the note principal and interest payments when due. The City transfers money to the debt service fund to make the payments.

The City has complied with the above provisions.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered payroll. 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 year ended June 30, 2008 was \$8,669, equal to the required contribution for the year.

City of Griswold
Notes to Financial Statements
June 30, 2008

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. 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, primarily relating to the General Fund was \$2,284. This liability has been computed based on rates of pay in effect at June 30, 2008.

(6) 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:	
	Local Option Sales Tax	\$ 18,707
	Emergency	4,093
	Rescue	14,850
	Capital Projects	<u>10,000</u>
		47,650
Special Revenue: Local Option Sales Tax	Special Revenue: Rescue	19,900
Special Revenue: Community Building	Special Revenue: General	4,000
Debt Service	General	21,752
	Special Revenue:	
	Local Option Sales Tax	21,248
	Tax Increment Financing	37,222
	Enterprise:	
	Water	50,815
	Sewer	<u>70,184</u>
		201,221
Capital Projects	Special Revenue:	
	Local Option Sales Tax	27,440
	Enterprise:	
	Water	5,000
	Sewer	<u>5,000</u>
		<u>37,440</u>
		<u>\$ 310,211</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 Griswold
Notes to Financial Statements
June 30, 2008

(7) Related Party Transactions

The City had business transactions between the City and City officials totaling \$2,774 during the year ended June 30, 2008.

(8) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage during the year ended June 30, 2008.

(9) Commitments

Law Enforcement Contract

The City has contracted with Cass County, Iowa whereby the County provides law enforcement services within the City of Griswold through the office of the Sheriff of Cass County, Iowa through June 30, 2012, for an annual amount of \$55,000.

Cemetery Mowing Contract

The City has contracted for the upkeep of cemetery grounds through December 2008, for an annual cost of \$9,240.

Rescue Billing Contract

The City has contracted for rescue billing services through December 2010, at a base fee of 10% per month of net collections.

(10) Lease Agreements

The City has operating lease agreements with landowners for use of wellfield grounds. The annual rental payment is based on market and average yield. The City made rent payment totaling \$2,848 for the year ended June 30, 2008.

Required Supplementary Information

City of Griswold
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year ended June 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts			
Property tax	\$ 215,375	-	-
Tax increment financing	36,647	-	-
Other city tax	97,254	-	-
Licenses and permits	1,148	-	-
Use of money and property	36,909	10,062	955
Intergovernmental	120,199	19,969	3,135
Charges for service	89,556	368,177	-
Miscellaneous	64,000	28,540	11,749
Total receipts	<u>661,088</u>	<u>426,748</u>	<u>15,839</u>
Disbursements			
Public safety	130,255	-	13,503
Public works	105,693	-	-
Culture and recreation	94,089	-	-
Community and economic development	28,913	-	-
General government	59,111	-	-
Debt service	243,225	-	-
Capital projects	-	-	-
Business type activities	-	240,847	-
Total disbursements	<u>661,286</u>	<u>240,847</u>	<u>13,503</u>
Excess (deficiency) of receipts over (under) disbursements	(198)	185,901	2,336
Other financing sources, net	<u>130,999</u>	<u>(130,999)</u>	<u>-</u>
Excess of receipts and other financing sources over disbursements and other financing uses	130,801	54,902	2,336
Balances beginning of year	<u>603,920</u>	<u>270,531</u>	<u>53,505</u>
Balances end of year	<u>\$ 734,721</u>	<u>325,433</u>	<u>55,841</u>

See accompanying independent auditors' report.

	Net	Budgeted Amounts		Budget to Net Variance
		Original	Final	
\$	215,375	204,739	204,739	10,636
	36,647	37,222	37,222	(575)
	97,254	106,610	106,610	(9,356)
	1,148	3,670	3,670	(2,522)
	46,016	27,460	27,460	18,556
	137,033	100,400	100,400	36,633
	457,733	400,300	420,800	36,933
	80,791	14,500	75,600	5,191
	<u>1,071,997</u>	<u>894,901</u>	<u>976,501</u>	<u>95,496</u>
	116,752	114,630	137,630	20,878
	105,693	86,608	105,108	(585)
	94,089	94,129	96,129	2,040
	28,913	5,000	31,000	2,087
	59,111	62,918	62,918	3,807
	243,225	243,692	243,692	467
	-	-	1,100	1,100
	<u>240,847</u>	<u>227,469</u>	<u>293,669</u>	<u>52,822</u>
	<u>888,630</u>	<u>834,446</u>	<u>971,246</u>	<u>82,616</u>
	183,367	60,455	5,255	178,112
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	183,367	60,455	5,255	178,112
	<u>820,946</u>	<u>606,920</u>	<u>606,920</u>	<u>214,026</u>
\$	<u>1,004,313</u>	<u>667,375</u>	<u>612,175</u>	<u>392,138</u>

City of Griswold
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2008

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 blended component units. 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 functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$136,800. 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 works function.

Other Supplementary Information

City of Griswold
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2008

	<u>Employee Benefits</u>	<u>Emergency</u>	<u>Tax Increment Financing</u>	<u>Project Playground</u>
Receipts:				
Property tax	\$ 34,476	4,104	-	-
Tax increment financing	-	-	36,647	-
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	-
Miscellaneous	794	-	-	-
Total receipts	<u>35,270</u>	<u>4,104</u>	<u>36,647</u>	<u>-</u>
Disbursements:				
Operating:				
Public safety	5,064	-	-	-
Public works	6,865	-	-	-
Culture and recreation	9,737	-	-	1,169
General government	4,932	-	-	-
Total disbursements	<u>26,598</u>	<u>-</u>	<u>-</u>	<u>1,169</u>
Excess (deficiency) of receipts over (under) disbursements	8,672	4,104	36,647	(1,169)
Other financing sources (uses):				
Operating transfer out	<u>-</u>	<u>(4,093)</u>	<u>(37,222)</u>	<u>-</u>
Net change in cash balances	8,672	11	(575)	(1,169)
Cash balances beginning of year	<u>14,213</u>	<u>1</u>	<u>3,083</u>	<u>2,132</u>
Cash balances end of year	<u>\$ 22,885</u>	<u>12</u>	<u>2,508</u>	<u>963</u>
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	<u>\$ 22,885</u>	<u>12</u>	<u>2,508</u>	<u>963</u>

See accompanying independent auditors' report.

Schedule 1

<u>Seized Property</u>	<u>Safety Programs</u>	<u>Griswold Rescue Squad</u>	<u>Library Gift</u>	<u>Total</u>
-	-	-	-	38,580
-	-	-	-	36,647
-	-	955	20	975
-	-	3,135	715	3,850
-	-	11,749	8,134	20,677
-	-	15,839	8,869	100,729
-	-	13,503	-	18,567
-	-	-	-	6,865
-	-	-	3,230	14,136
-	-	-	-	4,932
-	-	13,503	3,230	44,500
-	-	2,336	5,639	56,229
-	-	-	-	(41,315)
-	-	2,336	5,639	14,914
1,325	98	56,505	6,811	84,168
1,325	98	58,841	12,450	99,082
<u>1,325</u>	<u>98</u>	<u>58,841</u>	<u>12,450</u>	<u>99,082</u>

City of Griswold
Schedule 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 bonds and notes:			
Fire truck	Feb 1, 1999	4.70 %	\$ 195,000
Street improvements	Jun 1, 2001	4.80 – 5.00 %	250,000
Street improvements	Apr 15, 2005	3.55 – 4.40 %	780,000
Street improvements	Jul 15, 2005	4.35 – 4.80 %	115,000
Total			
Revenue note:			
Sewer	Jun 7, 2003	3.92 %	\$ 750,000
Water	Nov 18, 2003	3.00 %	110,000
Total			

See accompanying independent auditors' report.

Schedule 2

	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$	45,000	-	20,000	25,000	2,095	-
	115,000	-	25,000	90,000	5,585	-
	645,000	-	70,000	575,000	25,538	-
	<u>105,000</u>	<u>-</u>	<u>10,000</u>	<u>95,000</u>	<u>4,785</u>	<u>-</u>
\$	<u>910,000</u>	<u>-</u>	<u>125,000</u>	<u>785,000</u>	<u>38,003</u>	<u>-</u>
\$	551,000	-	33,000	518,000	21,599	-
	<u>23,000</u>	<u>-</u>	<u>23,000</u>	<u>-</u>	<u>690</u>	<u>-</u>
\$	<u>574,000</u>	<u>-</u>	<u>56,000</u>	<u>518,000</u>	<u>22,289</u>	<u>-</u>

City of Griswold
Bond and Note Maturities
June 30, 2008

Year Ending June 30,	General Obligation Bonds					
	Fire Truck		Street Improvements		Street Improvements	
	Issued Feb 1, 1999		Issued Jun 1, 2001		Issued Apr 15, 2005	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2009	4.70 %	25,000	4.80 %	\$ 30,000	3.55 %	\$ 75,000
2010	-	-	4.90 %	30,000	3.70 %	75,000
2011	-	-	5.00 %	30,000	3.80 %	80,000
2012	-	-	-	-	4.10 %	80,000
2013	-	-	-	-	4.20 %	85,000
2014	-	-	-	-	4.30 %	90,000
2015	-	-	-	-	4.40 %	90,000
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
		\$ <u>25,000</u>		\$ <u>90,000</u>		\$ <u>575,000</u>

See accompanying independent auditors' report.

and Notes		
Sewer Improvements		
Issued Jul 15, 2006		
Interest Rates	Amount	Total
4.30 %	\$ 10,000	\$ 140,000
4.35 %	10,000	115,000
4.40 %	10,000	120,000
4.45 %	10,000	90,000
4.50 %	10,000	95,000
4.65 %	15,000	105,000
4.75 %	15,000	105,000
4.80 %	15,000	15,000
-	-	-
-	-	-
-	-	-
-	-	-
	<u>\$ 95,000</u>	<u>\$ 785,000</u>

Revenue Note	
Sewer	
Issued Jun 14, 2004	
Interest Rates	Amount
3.92 %	\$ 35,000
3.92 %	36,000
3.92 %	37,000
3.92 %	39,000
3.92 %	40,000
3.92 %	42,000
3.92 %	44,000
3.92 %	45,000
3.92 %	47,000
3.92 %	49,000
3.92 %	51,000
3.92 %	53,000
	<u>\$ 518,000</u>

City of Griswold

December 4, 2008

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit Performed
in Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the governmental activities, the business type activities, each major fund of the City of Griswold, 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 December 4, 2008. Our report expressed a qualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting, as we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2007. Except as noted in the Independent Auditors' Report, 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 Griswold's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Griswold's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Griswold'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 and other 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 significant deficiencies, that adversely affects the City of Griswold'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 City of

Continued...

City of Griswold
Independent Auditors' Report on
Internal Control and Compliance

Griswold's financial statements that is more than inconsequential will not be prevented or detected by the City of Griswold's internal control. We consider the deficiencies in internal control described in Part I 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 Griswold's internal control.

Our consideration of 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 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 all of the above items are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Griswold'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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 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 comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Griswold'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 City of Griswold'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 Griswold and other parties to whom the City of Griswold may report including federal awarding agencies and pass through entities. 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 Griswold 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.

City of Griswold
Schedule of Findings
Year ended June 30, 2008

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

I-A-08 Segregation of Duties

Comment - One important element in designing internal control to safeguard assets and reasonably ensure the reliability of the accounting records is the concept of segregation of duties. When duties are properly segregated, the activities of one employee act as a check of those of another. One person has control over each of the following areas:

1. Receipts – receiving, recording and custody
2. Utility billings – billing, collecting, depositing, posting to customer accounts and reconciliation of billings to collections and delinquent accounts.

One person has control over depositing, warrant writing, posting and reconciling of the Volunteer Fire Department, and likewise for the Library Gift Fund, and the component unit, Griswold Rescue Squad donation funds.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available personnel. Evidence of review of reconciliations should be documented by initials of the independent reviewer.

Response – We will review this and make changes to include documented reviews.

Conclusion – Response accepted.

I-B-08 Reconciliation of Utility Billings, Collections and Delinquencies

Comment – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – A listing of delinquent accounts should be prepared on a monthly basis. Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period and to reconcile collections of deposits. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response – We will do the recommended monthly reconciliation of utility billings, collections and delinquencies.

Conclusion – Response accepted.

City of Griswold
Schedule of Findings
Year ended June 30, 2008

Part I: Findings Related to the Financial Statements - Continued:

SIGNIFICANT DEFICIENCIES:

I-C-08 Separate Records

Comment – Separate records are maintained for the Volunteer Fire Department and the Library Gift Fund. These transactions and the resulting balances are not recorded in the Clerk’s records as required by Code of Iowa Chapter 384.20.

Recommendation – Chapter 384.20 of the Code of Iowa states in part that, “a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purposes.” For better accountability, financial and budgetary control, the financial activity and balances of all city accounts should be reviewed at the transaction level and recorded in the Clerk’s records.

Response – The City shall request from all boards that they submit monthly, and at a minimum, quarterly reports to the City so that the financial activity of each board can be recorded in the Clerk’s records.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Griswold
 Schedule of Findings
 Year ended June 30, 2008

Part II: Other Findings Related to Statutory Reporting:

II-A-08 Certified Budget

Comment – Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the public works function. Chapter 384.20 of the Code of Iowa states in part that “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will amend the budget in sufficient amounts in the future.

Conclusion – Response accepted.

II-B-08 Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

II-C-08 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-08 Business Transactions

Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Kevin Carlisle, Council Member		
Owner of Town & Country	Contract services	\$ 966
Tom Sandbothe, Council Member		
Owner of Sandbothe Firestone	Repair parts	1,808

In accordance with Chapter 362.5(11) of the Code of Iowa, these transactions do not appear to represent conflicts of interest since total transactions with each individual were less than \$2,500 during the fiscal year.

City of Griswold
Schedule of Findings
Year ended June 30, 2008

Part II: Other Findings Related to Statutory Reporting:

II-E-08 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-08 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-08 Deposits and Investments

Comment – In accordance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa, the City had not reviewed its resolution naming its official depositories and its investments policy. A maximum authorized amount was not stated.

Recommendation – The City should annually review its official depositories and their respective limits. Also, as deemed necessary, the City should review its Investment Policy for necessary changes.

Response – We will update our resolution and policy for the changes needed.

Conclusion – Response accepted.

II-H-08 Revenue Notes

No instances of non-compliance with the revenue note resolutions were noted.

II-I-08 Excess Balances

Comment – The cash balances in Capital Projects Account and the Enterprise Fund, Water Account at June 30, 2008 were in excess of the disbursements made from each fund during the year.

Recommendation – The City should consider the necessity of maintaining the excess balances.

Response – We are accumulating the balances for future projects.

Conclusion – Response accepted.

City of Griswold
Schedule of Findings
Year ended June 30, 2008

Part II: Other Findings Related to Statutory Reporting:

II-J-08 Disbursements

Comment – The City received from the bank only the front image of electronically retained checks.

Recommendation – The City should request both the front and back images of checks in accordance with Chapter 554D.114(5) of the Code of Iowa.

Response – We have contacted the bank to request this.

Conclusion – Response accepted.

NEWS RELEASE

SCHROER & ASSOCIATES, P.C. today released an audit report on the City of Griswold, Iowa.

The City's receipts totaled \$1,087,836 for the year ended June 30, 2008. The receipts included \$221,247 in property tax, \$36,647 from tax increment financing collections, \$458,881 from charges for service, \$223,970 from operating grants, contributions and restricted interest, \$7,383 from capital grants, contributions and restricted interest, \$91,382 from local option sales tax, \$11,803 from unrestricted investment earnings and \$36,523 from other general receipts.

Disbursements for the year totaled \$902,133, and included \$243,225 for debt service, \$130,255 for public safety, and \$105,693 for public works. Also, disbursements for business type activities totaled \$240,847.

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

December 4, 2008

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Griswold, Iowa, as of and for the year ended June 30, 2008, and have issued our report thereon dated December 4, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated June 30, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the City of Griswold. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of City of Griswold's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on October 28, 2008.

Continued...

City of Griswold
Communication with Those Charged with Governance

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Griswold are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

There were no significant accounting estimates since the financial statements were prepared on the cash basis of accounting.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or to the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 4, 2008.

Continued...

City of Griswold
Communication with Those Charged with Governance

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultation has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to the retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the City Council and management of the City of Griswold, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

SCHROER & ASSOCIATES, P.C.

December 5, 2008

Dawn Ridlen
City of Griswold
601 2nd Street
PO Box 760
Griswold, IA 51535

Dear Dawn:

Enclosed are draft copies of the audit for the City of Griswold. Please review and let me know if we need to make any changes.

Also, enclosed is a management representation letter needed for our file. Please sign, and have the mayor sign, and return to me in the envelope provided.

Sincerely,

SCHROER & ASSOCIATES, P.C.

Diane McGrain
Shareholder

DM/jb
Enc.

December 29, 2008

David Vaudt
Office of State Auditor
State Capitol Building, Room 111
1007 East Grand Avenue
Des Moines, IA 50319

Dear Sir:

We have enclosed for your records the following information regarding the audit of the City of Griswold, Iowa for the year ended June 30, 2008.

- 2 copies of the audit report
- 1 copy of the news release
- 1 copy of the number of hours worked
- 1 copy of the invoice

Sincerely,

SCHROER & ASSOCIATES, P.C.

Diane McGrain
Shareholder

DM/sh
Enc.

December 29, 2008

Dawn Ridlen
City of Griswold
601 2nd Street
PO Box 760
Griswold, IA 51535

Dear Dawn:

We have filed the required copies of your audit report with the Office of Auditor of State. A filing fee is required to be paid based on your final amended budget, according to the following schedule:

<u>Budgeted Expenditures (In millions of dollars)</u>	<u>Fee Amount</u>
Under 1	\$ 100.00
At least 1, but less than 3	\$ 175.00
At least 3, but less than 5	\$ 250.00
At least 5, but less than 10	\$ 425.00
At least 10, but less than 25	\$ 625.00
25 and over	\$ 850.00

You are required to send the appropriate filing fee. The check should be made payable to "Auditor of State" and mailed to Office of Auditor of State, PO Box 333, Des Moines, IA 50302-0333.

If you have any questions, please do not hesitate to call me at 712-322-8734.

Sincerely,

SCHROER & ASSOCIATES, P.C.

Diane McGrain
Shareholder

DM/sh

City of Griswold, Iowa

Hours Worked: 48.50