

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

June 30, 2009

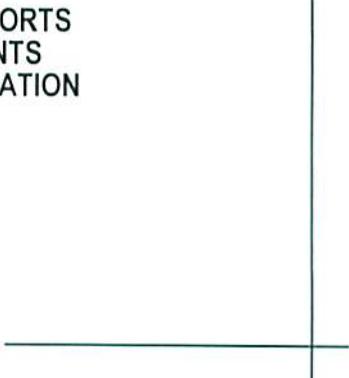


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CITY OF GRUNDY CENTER

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jack Stumberg	Mayor	January 2010
David Stefl	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, 2009, 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 \$4,771,043 and \$4,566,690, 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 \$204,353, and the ending proprietary funds cash balance would have been \$9,490,128.

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, 2009, 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, 2009, 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 15, 2010 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 five years ended June 30, 2008 (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 supplementary 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 Gunderson LLP

Cedar Rapids, Iowa
January 15, 2010

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, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased 11.35% or approximately \$224,000 from fiscal 2008 to fiscal 2009. Property Tax Collections increased approximately \$135,000; Use of Money & Property (interest earnings) decreased approximately \$69,000; Charges for Services increased by approximately \$65,000; Intergovernmental Revenues increased by approximately \$100,000; and Miscellaneous Revenues decreased approximately \$66,000.
- Disbursements for Governmental Activities decreased 50.0% or approximately \$2,290,000 in fiscal 2009 from fiscal 2008. There was a decrease of approximately \$2,591,000 in Capital Project expenditures for the year due to completion of construction of the new aquatic facility the previous year. Debt Service expenditures increased \$207,000 due to paying on the debt for the new aquatic facility and TIF projects.
- The City wrapped up major construction projects with the completion of the new aquatic center and updates at the Sewer Treatment Plant. These projects have added over \$3,300,000 in debt to the books of the City over the last two fiscal years.
- The City's Cash Basis Fund Balance for Governmental Funds decreased 6.88% or approximately \$159,000 from June 30, 2008 to June 30, 2009. The decrease in assets can mainly be attributed to expenditures of paying off debt issued during the prior year.

USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- The Government-wide Financial Statements consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

- Other Supplementary Information provides detailed information about the nonmajor Governmental, Special Revenue, Capital and Enterprise Funds. A Schedule of Indebtedness is also provided and multi-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, readers 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, health and social services, 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:

- Governmental Funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, and the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general 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.

- 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.
 - Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City saw two construction projects wrapped up in the financial records this year. The renovations of the sewer treatment plant were completed and the Sewer Fund received the rest of the loan for this project. It will be repaid from revenues generated in the Sewer Fund. The City still maintains a retainage of \$10,000 on the construction of the aquatic center and will make final payments in the next fiscal year after all remaining construction issues are resolved. The General Fund continues to carry over a small balance; it has grown this year 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 decreased from a year ago, decreasing from \$767,443 to \$608,177. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	<u>2009</u>	<u>2008</u>
Receipts:		
Program receipts:		
Charges for services	\$ 124,985	\$ 60,213
General receipts:		
Property tax	980,859	846,224
Tax increment financing	176,200	134,272
Other city tax	192,884	177,878
Use of money and property	36,017	105,295
Licenses and permits	5,802	5,066
Intergovernmental	398,665	298,492
Special assessments	7,550	4,995
Miscellaneous	<u>275,903</u>	<u>342,221</u>
Total receipts	<u>2,198,865</u>	<u>1,974,656</u>
Disbursements:		
Public safety	314,050	285,389
Public works	549,860	463,046
Health and social services	1,820	4,520
Culture and recreation	345,664	303,227
Community and economic development	73,997	149,609
General government	200,029	185,502
Debt service	380,580	173,397
Capital projects	<u>392,654</u>	<u>2,983,860</u>
Total disbursements	<u>2,258,654</u>	<u>4,548,550</u>

Changes in Cash Basis Net Assets of Governmental Activities (continued)

	<u>2009</u>	<u>2008</u>
Excess of disbursements over receipts	<u>(59,789)</u>	<u>(2,573,894)</u>
Other financing sources:		
Proceeds from debt	-	2,700,000
Operating transfers, net	(116,295)	(79,073)
Sales of assets	<u>16,818</u>	<u>2,400</u>
Total other financing sources	<u>(99,477)</u>	<u>2,623,327</u>
Change in cash basis net assets	(159,266)	49,433
Cash basis net assets, beginning of year	<u>767,443</u>	<u>718,010</u>
Cash basis net assets, end of year	<u>\$ 608,177</u>	<u>\$ 767,443</u>

The City increased the property tax millage rate for 2009. The increase in the millage rate for residential properties was the result of increasing the debt service levy for the general obligation portion of the bonds issued to pay for the new aquatic center. With the increased need for property tax collections for debt service the City collected almost \$135,000 more in property taxes for the General Fund, Special Revenue Fund, and Debt Service Fund.

The cost of all governmental activities this year was \$2,258,654 compared to \$4,548,550 last year. The Statement of Activities and Net Assets which is exhibit A in this report reveals that the amount the taxpayers ultimately financed for these activities was \$1,513,956 because some of the cost was paid by those who directly benefited from the programs or by other government agencies and organizations.

Changes in Cash Basis Net Assets of Business Type Activities

	<u>2009</u>	<u>2008</u>
Receipts:		
Program receipts:		
Charges for services:		
Water	\$ 511,081	\$ 475,973
Sewer	234,735	222,637
Sanitation	243,814	229,494
General receipts:		
Unrestricted investment earnings	88,510	114,758
Bond proceeds	234,156	439,044
Other general receipts	<u>140,279</u>	<u>96,943</u>
Total receipts	<u>1,452,575</u>	<u>1,578,849</u>
Disbursements:		
Water	432,342	383,198
Sewer	205,939	220,780
Sewer reserve	87,766	685,014
Sanitation	250,630	226,338
Ambulance	55,273	67,839
Sanitation reserve	<u>4,676</u>	<u>21,622</u>
Total disbursements	<u>1,036,626</u>	<u>1,604,791</u>

Changes in Cash Basis Net Assets of Business Type Activities (continued)

	<u>2009</u>	<u>2008</u>
Change in cash basis net assets, before transfers	415,949	(25,942)
Transfers, net	<u>116,295</u>	<u>79,073</u>
Change in cash basis net assets	532,244	53,131
Cash basis net assets, beginning of year	<u>1,366,710</u>	<u>1,313,579</u>
Cash basis net assets, end of year	<u>\$ 1,898,954</u>	<u>\$ 1,366,710</u>

The business activities receipts for the fiscal year were \$1,452,575 compared to \$1,578,849 last year. This decrease in receipts was primarily due to the decrease of interest on investments and the decrease of proceeds on debt issuance. Total disbursements decreased by \$568,165 from \$1,604,791 for fiscal year 2008 to \$1,036,626 for fiscal year 2009. During the previous year the City spent just over \$685,000 on a capital project at the wastewater treatment facility and this year we spent about \$50,000 more for water related expenses.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

At the end of the fiscal year the City of Grundy Center had a combined \$608,177 in its Governmental Funds, which represents a negative change of \$159,266. The following are the highlights of the changes to the balances from last year's activities:

- The General Fund increased its balance by just over \$10,000 or about 10%, this reflects the City's ongoing efforts to increase its reserves to be better prepared for unforeseen emergencies.
- The Road Use Tax Fund dropped from the year before. The City in conjunction with the State of Iowa and Grundy County have made improvements to Highway 14 through Grundy Center. The City's share was over \$100,000 and that reduced the balance in this fund in fiscal year 2009.
- The Special Revenue Fund increased receipts by \$40,679 or about 12%. The increase was due to tax increment financing collections.
- The Debt Service Fund increased receipts by \$156,791 or about 220%. The increase was due to servicing newly issued debt.
- The City spent over \$3,000,000 for the construction of the new family aquatic center, construction delays postponed the payment of some bills into this fiscal year. The delayed payments decreased the pool construction fund by over \$110,000.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund, because of the changes to rates charged for water, saw an increase in its balance at the end of the year of almost \$90,000. The City has passed on several water rate increases in order to keep pace with the increasing costs and to increase the fund balance in anticipation of future system maintenance costs.

- The Sanitary Sewer Fund saw an increase of almost \$36,000 due to an increase in receipts and a decrease of expenditures. The City is increasing the fund balance in anticipation of future capital improvements.
- The Sewer Reserve Fund saw an increase of almost \$200,000 in funds received as a loan for past improvements to the 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.

BUGETARY HIGHLIGHTS

During the year the budget was amended once. The amendment increased budgeted expenditures by \$3,634 for governmental funds and \$36,000 for enterprise funds. This was offset by an increase of \$100,595 for budgeted revenues.

DEBT ADMINISTRATION

As of June 30, 2009 the City of Grundy Center had approximately \$3,867,000 in bonds and other long-term debt. This amount is approximately \$5,000 more than a year ago. Outstanding debt at June 30, 2009 and 2008 (expressed in thousands) is as follows:

	<u>2009</u>	<u>2008</u>
General Obligation Bonds:		
Sanitary sewer	\$ 305	\$ 325
Fire station	33	66
Aquatic center	2,620	2,700
Revenue Bonds:		
Sewer revenue	655	446
Urban renewal tax increment financing	254	326
Capital lease obligation	<u>23</u>	<u>51</u>
 Total indebtedness	 <u>\$ 3,890</u>	 <u>\$ 3,914</u>

Debt increased significantly in fiscal year 2008 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 5.616 million dollars. With the stabilization of the debt this year, we remain at almost 70 % of that limit.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Grundy Center City Council took action on next year's budget (FY2010) on March 9, 2009. 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. A slightly higher percentage of a home's value was taxable this year providing some additional funding to the general fund and debt service fund.

The budget for fiscal year 2009 expenditures was decreased by almost \$600,000 from fiscal year 2008. The decrease was the result of decreased budgets for capital projects such as the aquatic center and the wastewater treatment facility.

With the budget decrease, the tax levy rate was decreased from \$17.08596 per thousand dollars of taxable valuation to \$16.57469 per thousand dollars of taxable valuation. This decrease was in the areas of debt service and special revenues for employee benefits.

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

	<u>05/06</u>	<u>06/07</u>	<u>07/08</u>	<u>08/09</u>	<u>09/10</u>
Assessed value	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Rollback	47.9642%	45.9960%	45.5596%	44.0803%	45.5893%
Taxable value	\$ 47,964	\$ 45,996	\$ 45,560	\$ 44,080	\$ 45,589
Tax rate per \$1,000	\$ 15.22187	\$ 15.22186	\$ 14.51541	\$ 17.08596	\$ 17.16697
Calculated tax	\$ 730	\$ 700	\$ 661	\$ 753	\$ 756
% of total tax bill	39.270%	38.844%	37.850%	38.758%	42.345%

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. The economic troubles of the nation in general will have an impact on the City as well. Fortunately, through the end of the fiscal year the impact has yet to be felt.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Richard Riesberg, City Clerk/Treasurer, 703 F Avenue, Suite #2, Grundy Center, Iowa.

BASIC FINANCIAL STATEMENTS

CITY OF GRUNDY CENTER

Statement of Activities and Net Assets - Cash Basis

As of and for the Year Ended June 30, 2009

	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	\$ 314,050	\$ 4,304	\$ 19,946	\$ -
Public works	549,860	-	215,389	-
Health and social services	1,820	-	-	-
Culture and recreation	345,664	117,424	49,069	-
Community and economic development	73,997	1,947	7,964	-
General government	200,029	3,695	160	-
Debt service	380,580	-	-	-
Capital projects	392,654	-	-	324,800
Total governmental activities	<u>2,258,654</u>	<u>127,370</u>	<u>292,528</u>	<u>324,800</u>
Business type activities:				
Water	432,342	506,730	173	-
Sewer	293,705	209,011	56,739	-
Sanitation	255,306	242,622	811	-
Ambulance	55,273	121,886	12,745	-
Total business type activities	<u>1,036,626</u>	<u>1,080,249</u>	<u>70,468</u>	<u>-</u>
Total	<u>3,295,280</u>	<u>1,207,619</u>	<u>362,996</u>	<u>324,800</u>
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>
\$ (289,800)	\$ -	\$ (289,800)
(334,471)	-	(334,471)
(1,820)	-	(1,820)
(179,171)	-	(179,171)
(64,086)	-	(64,086)
(196,174)	-	(196,174)
(380,580)	-	(380,580)
(67,854)	-	(67,854)
<u>(1,513,956)</u>	<u>-</u>	<u>(1,513,956)</u>
-	74,561	74,561
-	(27,955)	(27,955)
-	(11,873)	(11,873)
-	79,358	79,358
<u>-</u>	<u>114,091</u>	<u>114,091</u>
<u>(1,513,956)</u>	<u>114,091</u>	<u>(1,399,865)</u>
567,243	-	567,243
196,075	-	196,075
176,200	-	176,200
217,541	-	217,541
9,010	-	9,010
185,612	-	185,612
7,550	-	7,550
10,011	-	10,011
14,479	33,263	47,742

(continued)

CITY OF GRUNDY CENTER

Statement of Activities and Net Assets - Cash Basis

As of and for the Year Ended June 30, 2009

	Program Receipts		
Disburse- ments	Charges for Services	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
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			
 TOTAL CASH BASIS NET ASSETS			

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

Governmental Activities	Business Type Activities	Total
-	24,232	24,232
-	234,156	234,156
16,818	2,909	19,727
70,446	7,298	77,744
(116,295)	116,295	-
1,354,690	418,153	1,772,843
(159,266)	532,244	372,978
767,443	1,366,710	2,134,153
\$ 608,177	\$ 1,898,954	\$ 2,507,131
\$ 122,286	\$ -	\$ 122,286
109,340	-	109,340
6,022	-	6,022
246,885	1,177,454	1,424,339
123,644	721,500	845,144
\$ 608,177	\$ 1,898,954	\$ 2,507,131

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, 2009

	Special Revenue		
	General	Road Use Tax	Special Revenue
RECEIPTS:			
Property tax	\$ 567,243	\$ -	\$ 196,075
Tax increment financing collections	-	-	176,200
Other city tax	98,300	-	-
Licenses and permits	5,802	-	-
Use of money and property	24,411	-	2,980
Intergovernmental	31,623	215,389	-
Special assessments	-	-	-
Charges for services	99,373	-	-
Miscellaneous	58,386	-	-
	<u>885,138</u>	<u>215,389</u>	<u>375,255</u>
Total receipts			
DISBURSEMENTS:			
Operating:			
Public safety	304,511	-	-
Public works	216,599	312,961	-
Health and social services	1,820	-	-
Culture and recreation	326,124	-	-
Community and economic development	8,777	-	-
General government	200,029	-	-
Debt service	-	-	-
Capital projects	-	-	-
	<u>1,057,860</u>	<u>312,961</u>	<u>-</u>
Total disbursements			
Excess (deficiency) of receipts over (under) disbursements	<u>(172,722)</u>	<u>(97,572)</u>	<u>375,255</u>
OTHER FINANCING SOURCES (USES)			
Sale of property	-	-	-
Operating transfers in	196,143	-	-
Operating transfers out	(11,333)	-	(372,343)
	<u>184,810</u>	<u>-</u>	<u>(372,343)</u>
Net other financing sources (uses)			

Exhibit B

	<u>Capital Projects</u>		<u>Other Nonmajor Governmental Funds</u>	<u>Totals</u>
	<u>Debt Service</u>	<u>Swimming Pool Reserve</u>		
\$ 217,541	\$ -	\$ -	\$ 980,859	
-	-	-	176,200	
1,778	-	92,806	192,884	
-	-	-	5,802	
752	1,011	6,863	36,017	
-	102,850	48,803	398,665	
7,550	-	-	7,550	
-	-	25,612	124,985	
-	135,144	82,373	275,903	
<u>227,621</u>	<u>239,005</u>	<u>256,457</u>	<u>2,198,865</u>	
-	-	9,539	314,050	
20,300	-	-	549,860	
-	-	-	1,820	
400	-	19,140	345,664	
-	-	65,220	73,997	
-	-	-	200,029	
199,026	-	181,554	380,580	
-	281,176	111,478	392,654	
<u>219,726</u>	<u>281,176</u>	<u>386,931</u>	<u>2,258,654</u>	
<u>7,895</u>	<u>(42,171)</u>	<u>(130,474)</u>	<u>(59,789)</u>	
-	-	16,818	16,818	
-	-	206,467	402,610	
<u>(7,550)</u>	<u>(75,000)</u>	<u>(52,679)</u>	<u>(518,905)</u>	
<u>(7,550)</u>	<u>(75,000)</u>	<u>170,606</u>	<u>(99,477)</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, 2009

	<u>Special Revenue</u>		
	<u>General</u>	<u>Road Use Tax</u>	<u>Special Revenue</u>
NET CHANGE IN CASH BALANCE	12,088	(97,572)	2,912
CASH BALANCE, BEGINNING OF YEAR	<u>111,556</u>	<u>219,858</u>	<u>52,259</u>
CASH BALANCE, END OF YEAR	<u>\$ 123,644</u>	<u>\$ 122,286</u>	<u>\$ 55,171</u>
CASH BASIS FUND BALANCE:			
Reserved:			
Debt service	\$ -	\$ -	\$ -
Unreserved:			
General	123,644	-	-
Special revenue funds	-	122,286	55,171
Capital project funds	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balance	<u>\$ 123,644</u>	<u>\$ 122,286</u>	<u>\$ 55,171</u>

Exhibit B

<u>Debt Service</u>	<u>Capital Projects</u> <u>Swimming Pool Reserve</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Totals</u>
345	(117,171)	40,132	(159,266)
<u>5,677</u>	<u>25,110</u>	<u>352,983</u>	<u>767,443</u>
<u>\$ 6,022</u>	<u>\$ (92,061)</u>	<u>\$ 393,115</u>	<u>\$ 608,177</u>
\$ 6,022	\$ -	\$ -	\$ 6,022
-	-	-	123,644
-	-	54,169	231,626
<u>-</u>	<u>(92,061)</u>	<u>338,946</u>	<u>246,885</u>
<u>\$ 6,022</u>	<u>\$ (92,061)</u>	<u>\$ 393,115</u>	<u>\$ 608,177</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, 2009

	<u>Water</u>	<u>Sanitary Sewer</u>	<u>Enterprise Sanitary Sewer Reserve</u>
OPERATING RECEIPTS:			
Intergovernmental	\$ 173	\$ 25,073	\$ -
Charges for services	506,430	208,686	-
Miscellaneous	4,478	976	-
	<u>511,081</u>	<u>234,735</u>	<u>-</u>
Total operating receipts			
OPERATING DISBURSEMENTS:			
Business type activities:			
Water	432,342	-	-
Sewer	-	205,939	87,766
Sanitation	-	-	-
Ambulance	-	-	-
	<u>432,342</u>	<u>205,939</u>	<u>87,766</u>
Total operating disbursements			
Excess (deficiency) of operating receipts over (under) operating disbursements	78,739	28,796	(87,766)
NONOPERATING RECEIPTS:			
Interest on investments	7,009	3,692	45,539
	<u>85,748</u>	<u>32,488</u>	<u>(42,227)</u>
Excess (deficiency) of receipts over (under) disbursements			
OTHER FINANCING SOURCES:			
Sale of real property	1,417	1,492	-
Proceeds on issuance of debt	-	-	234,156
Operating transfers in	1,941	1,941	-
	<u>3,358</u>	<u>3,433</u>	<u>234,156</u>
Net other financing sources			

<u>Funds</u>		
<u>Sanitation</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>
\$ 811	\$ 12,745	\$ 38,802
198,069	121,886	1,035,071
<u>44,934</u>	<u>2,739</u>	<u>53,127</u>
<u>243,814</u>	<u>137,370</u>	<u>1,127,000</u>
-	-	432,342
-	-	293,705
250,630	4,676	255,306
<u>-</u>	<u>55,273</u>	<u>55,273</u>
<u>250,630</u>	<u>59,949</u>	<u>1,036,626</u>
(6,816)	77,421	90,374
<u>3,741</u>	<u>28,529</u>	<u>88,510</u>
<u>(3,075)</u>	<u>105,950</u>	<u>178,884</u>
-	-	2,909
-	-	234,156
<u>37,057</u>	<u>75,356</u>	<u>116,295</u>
<u>37,057</u>	<u>75,356</u>	<u>353,360</u>

(continued)

CITY OF GRUNDY CENTER

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

As of and for the Year Ended June 30, 2009

	Water	Sanitary Sewer	Enterprise Sanitary Sewer Reserve
NET CHANGE IN CASH BALANCE	89,106	35,921	191,929
CASH BALANCE, BEGINNING OF YEAR	290,691	164,507	348,527
CASH BALANCE, END OF YEAR	\$ 379,797	\$ 200,428	\$ 540,456
CASH BASIS FUND BALANCE:			
Reserved:			
Capital improvement	\$ -	\$ 200,428	\$ 540,456
Unreserved	379,797	-	-
Total cash basis fund balance	\$ 379,797	\$ 200,428	\$ 540,456

<u>Funds</u>		
<u>Sanitation</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>
33,982	181,306	532,244
<u>141,192</u>	<u>421,793</u>	<u>1,366,710</u>
<u>\$ 175,174</u>	<u>\$ 603,099</u>	<u>\$ 1,898,954</u>
\$ -	\$ 436,570	\$ 1,177,454
<u>175,174</u>	<u>166,529</u>	<u>721,500</u>
<u>\$ 175,174</u>	<u>\$ 603,099</u>	<u>\$ 1,898,954</u>

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

CITY OF GRUNDY CENTER
Notes to Financial Statements
June 30, 2009

(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, 2009

(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, 2009

(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 the collection of employee benefits and tax increment financing.

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

Capital Projects:

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

The City reports the following major proprietary funds:

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

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

The 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, 2009

(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, 2009, disbursements exceeded the amounts budgeted in the community and economic development and debt service functions.

E. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2007, to compute the amounts which became liens on property on July 1, 2008. These taxes were due and payable in two installments on September 30, 2008 and March 31, 2009, at the Grundy County Treasurer's Offices. These taxes are recognized as income to the City when they are received from the county.

(2) **Cash and Pooled Investments**

The City's deposits at June 30, 2009, 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.

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, 2009

(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:

Year Ending June 30,	General Obligation Bonds		Tax Increment Financing (TIF) Bonds		Revenue Bond		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 138,000	\$ 136,095	\$ 34,757	\$ 13,286	\$ 26,000	\$ 19,650	\$ 198,757	\$ 169,031
2011	150,000	131,528	30,805	11,670	27,000	18,870	207,805	162,068
2012	180,000	123,528	32,542	9,933	28,000	18,060	240,542	151,521
2013	210,000	114,590	34,424	8,051	29,000	17,220	273,424	139,861
2014	225,000	104,113	32,373	6,051	29,000	16,350	286,373	126,514
2015	235,000	92,825	27,956	4,431	30,000	15,480	292,956	112,736
2016	180,000	80,965	29,456	2,931	31,000	14,580	240,456	98,476
2017	185,000	72,775	32,180	1,336	32,000	13,650	249,180	87,761
2018	190,000	65,005	-	-	33,000	12,690	223,000	77,695
2019	200,000	56,835	-	-	34,000	11,700	234,000	68,535
2020	205,000	48,135	-	-	35,000	10,680	240,000	58,815
2021	220,000	39,115	-	-	36,000	9,630	256,000	48,745
2022	230,000	29,325	-	-	37,000	8,550	267,000	37,875
2023	95,000	18,975	-	-	38,000	7,440	133,000	26,415
2024	100,000	14,652	-	-	40,000	6,300	140,000	20,952
2025	105,000	10,053	-	-	41,000	5,100	146,000	15,153
2026	110,000	5,170	-	-	42,000	3,870	152,000	9,040
2027	-	-	-	-	43,000	2,610	43,000	2,610
2028	-	-	-	-	44,000	1,320	44,000	1,320
	<u>\$2,958,000</u>	<u>\$1,143,684</u>	<u>\$ 254,493</u>	<u>\$ 57,689</u>	<u>\$ 655,000</u>	<u>\$ 213,750</u>	<u>\$3,867,493</u>	<u>\$1,415,123</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 tax increment financing collections 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, 2009

(3) Bonds and Notes Payable (continued)

Revenue Bond

The City has pledged future sewer customer receipts, net of operating disbursements, to repay \$680,000 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 2028.

(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, 2010	\$	22,887
Less amount representing interest		386
Present value of net minimum lease payments	\$	22,501

(5) Interfund Loans

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, 2009, \$116,229 is due from the General Fund. 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, Enterprise Fund - Sewer Reserve, and Enterprise Fund - Water Reserve resources to help finance the Special Assessments - Capital Projects Fund. At June 30, 2009, \$5,209 is due from the Capital Projects - Special Assessments Fund. Interest is to be charged at the rate of 6% on all outstanding balances. The loan is expected to be repaid from annual special assessment collections from property owners of the Blue Sky Development.

The City has authorized the use of Capital Projects Fund - Community Betterment resources to help finance the Swimming Pool Reserve - Capital Projects Fund. At June 30, 2009, \$20,000 is due from the Capital Projects - Swimming Pool Reserve Fund. The interest-free loan is expected to be repaid at the time of the closing of the Pool Construction Fund.

CITY OF GRUNDY CENTER
Notes to Financial Statements
June 30, 2009

(6) Deficit Fund Balances

The following funds had deficit balances at June 30, 2009:

Special Revenue - Special Assessments	\$ (12,140)
Capital Projects - Continuing Projects	(26,347)
Capital Projects - D & D Program Fund	(146)
Capital Projects - Swimming Pool Reserve	(92,061)
Special Revenue - TIF Debt Service	(15,465)

The City has implemented plans to eliminate these deficit fund balances.

(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 4.10% of their annual covered salary and the City is required to contribute 6.35% 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, 2009, 2008 and 2007 were \$42,368, \$37,780 and \$35,640, respectively, equal to the required contributions for each year.

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

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

CITY OF GRUNDY CENTER

Notes to Financial Statements

June 30, 2009

(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 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 and sick leave payable to employees at June 30, 2009, primarily relating to the General Fund, is \$56,550 and \$58,158, respectively. This liability has been computed based on rates of pay in effect at June 30, 2009.

(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, and a combined age and years of service to the City as an employee equal or exceed the number 92 will, in the event of retirement prior to age 65, be entitled to receive from the City full medical insurance benefits until reaching 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, was to receive full medical insurance benefits for one year. Then, in June 2008, the Council extended this benefit until such time as the former employee qualifies for Medicare coverage. The estimated liability for these benefits has not been determined.

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

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

CITY OF GRUNDY CENTER
Notes to Financial Statements
June 30, 2009

(11) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Special Revenue	\$ 196,143
Special Revenue: TIF Debt Service	Special Revenue: Special Revenue	176,200
Special Revenue: TIF Debt Service	Special Revenue: TIF Projects	11,500
Enterprise: Sanitation	Special Revenue: TIF Projects	35,000
Special Revenue: Special Assessment Projects	Debt Service	6,873
Enterprise: Sanitation	Debt Service	116
Capital Projects: Equipment Reserve	General	3,333
Capital Projects: Police Reserve	General	8,000
Enterprise: Water	Special Revenue: Special Assessment Projects	1,941
Enterprise: Sanitary Sewer	Special Revenue: Special Assessment Projects	1,941
Enterprise: Sanitation	Special Revenue: Special Assessment Projects	1,941
Enterprise: Sanitation Reserve	Special Revenue: Special Assessment Projects	356
Enterprise: Sanitation Reserve	Special Revenue: Swimming Pool Reserve	75,000
Capital Projects: Equipment Reserve	Debt Service	<u>561</u>
Total		<u>\$ 518,905</u>

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

CITY OF GRUNDY CENTER
Notes to Financial Statements
June 30, 2009

(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 \$483,950 for the Grundy Center Housing Rehabilitation Program, Highway 14 Overlay, Aquatic Facility, and Wastewater Treatment improvements. There was \$473,950 in disbursements through June 30, 2009, resulting in a commitment as of June 30, 2009 of \$10,000.

(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.

(15) New Accounting Standard

The City of Grundy Center will be implementing GASB Statement No. 45, Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans, during the year ending June 30, 2010. This statement establishes uniform accounting and financial reporting standards for state and local governmental entities related to postemployment benefits other than pension plans ("OPEB").

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 and Actual (Cash Basis) -
All Governmental Funds and Proprietary Funds**

Required Supplementary Information

Year Ended June 30, 2009

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Less Funds Not Required to be Budgeted</u>
RECEIPTS:			
Property tax	\$ 980,859	\$ -	\$ -
Tax increment financing collections	176,200	-	-
Other city tax	192,884	-	-
Licenses and permits	5,802	-	-
Use of money and property	36,017	88,510	-
Intergovernmental	398,665	38,802	-
Charges for services	124,985	1,035,071	-
Special assessments	7,550	-	-
Miscellaneous	<u>275,903</u>	<u>53,127</u>	<u>-</u>
Total receipts	<u>2,198,865</u>	<u>1,215,510</u>	<u>-</u>
DISBURSEMENTS:			
Operating:			
Public safety	314,050	-	-
Public works	549,860	-	-
Health and social services	1,820	-	-
Culture and recreation	345,664	-	-
Community and economic development	73,997	-	-
General government	200,029	-	-
Debt service	380,580	-	-
Capital projects	392,654	-	-
Business type activities	<u>-</u>	<u>1,036,626</u>	<u>-</u>
Total disbursements	<u>2,258,654</u>	<u>1,036,626</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	(59,789)	178,884	-
OTHER FINANCING SOURCES (USES), NET	<u>(99,477)</u>	<u>353,360</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(159,266)	532,244	-
BALANCES, BEGINNING OF YEAR	<u>767,443</u>	<u>1,366,710</u>	<u>-</u>
BALANCES, END OF YEAR	<u>\$ 608,177</u>	<u>\$ 1,898,954</u>	<u>\$ -</u>

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$ 980,859	\$ 976,382	\$ 976,382	\$ 4,477
176,200	175,578	187,578	(11,378)
192,884	173,508	173,508	19,376
5,802	6,750	6,750	(948)
124,527	147,173	147,173	(22,646)
437,467	311,480	372,780	64,687
1,160,056	1,042,400	1,056,400	103,656
7,550	5,000	5,000	2,550
<u>329,030</u>	<u>307,235</u>	<u>324,530</u>	<u>4,500</u>
<u>3,414,375</u>	<u>3,145,506</u>	<u>3,250,101</u>	<u>164,274</u>
314,050	305,474	327,374	13,324
549,860	448,875	563,467	13,607
1,820	4,020	4,020	2,200
345,664	387,443	416,900	71,236
73,997	49,107	57,607	(16,390)
200,029	194,907	205,907	5,878
380,580	357,637	361,137	(19,443)
392,654	716,750	531,435	138,781
<u>1,036,626</u>	<u>1,125,600</u>	<u>1,163,600</u>	<u>126,974</u>
<u>3,295,280</u>	<u>3,589,813</u>	<u>3,631,447</u>	<u>336,167</u>
119,095	(444,307)	(381,346)	500,441
<u>253,883</u>	<u>-</u>	<u>-</u>	<u>253,883</u>
372,978	(444,307)	(381,346)	754,324
<u>2,134,153</u>	<u>2,925,867</u>	<u>2,925,867</u>	<u>(791,714)</u>
<u>\$ 2,507,131</u>	<u>\$ 2,481,560</u>	<u>\$ 2,544,521</u>	<u>\$ (37,390)</u>

See accompanying independent auditor's report.

CITY OF GRUNDY CENTER

Notes to Required Supplementary Information- Budgetary Reporting

June 30, 2009

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. 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, one budget amendment increased budgeted disbursements and revenues by \$41,534 and \$104,595, respectively. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the debt service and community and economic development functions.

OTHER SUPPLEMENTARY INFORMATION

CITY OF GRUNDY CENTER

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

Nonmajor Governmental Funds

As of and for the Year Ended June 30, 2009

	Special Revenue	Capital Projects	Totals
RECEIPTS:			
Other city tax	\$ -	\$ 92,806	\$ 92,806
Use of money and property	1,155	5,708	6,863
Intergovernmental	-	48,803	48,803
Charges for services	-	25,612	25,612
Miscellaneous	58,661	23,712	82,373
	<u>59,816</u>	<u>196,641</u>	<u>256,457</u>
Total receipts			
DISBURSEMENTS:			
Operating:			
Public safety	3,095	6,444	9,539
Culture and recreation	19,140	-	19,140
Community and economic development	6,132	59,088	65,220
Debt service	181,554	-	181,554
Capital projects	2,194	109,284	111,478
	<u>212,115</u>	<u>174,816</u>	<u>386,931</u>
Total disbursements			
Excess (deficiency) of receipts over (under) disbursements	<u>(152,299)</u>	<u>21,825</u>	<u>(130,474)</u>
OTHER FINANCING SOURCES (USES):			
Sale of property	14,000	2,818	16,818
Operating transfers in	194,573	11,894	206,467
Operating transfers out	(52,679)	-	(52,679)
	<u>155,894</u>	<u>14,712</u>	<u>170,606</u>
Net other financing sources (uses)			
NET CHANGE IN CASH BALANCE	3,595	36,537	40,132
CASH BALANCE, BEGINNING OF YEAR	<u>50,574</u>	<u>302,409</u>	<u>352,983</u>
CASH BALANCE, END OF YEAR	<u>\$ 54,169</u>	<u>\$ 338,946</u>	<u>\$ 393,115</u>
CASH BASIS FUND BALANCE:			
Unreserved:			
Special revenue funds	\$ 54,169	\$ -	\$ 54,169
Capital project funds	-	338,946	338,946
Debt service	-	-	-
	<u>\$ 54,169</u>	<u>\$ 338,946</u>	<u>\$ 393,115</u>
Total cash basis fund balance			

CITY OF GRUNDY CENTER

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

Nonmajor Enterprise Funds

As of and for the Year Ended June 30, 2009

	<u>Water Reserve</u>	<u>Ambulance</u>	<u>Ambulance Trust</u>	<u>Sanitation Reserve</u>	<u>Totals</u>
OPERATING RECEIPTS:					
Intergovernmental	\$ -	\$ 6,210	\$ 6,535	\$ -	\$ 12,745
Charges for services	-	121,886	-	-	121,886
Miscellaneous	-	391	-	2,348	2,739
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total operating receipts	-	128,487	6,535	2,348	137,370
OPERATING DISBURSEMENTS:					
Business type activities:					
Sanitation	-	-	-	4,676	4,676
Ambulance	-	55,273	-	-	55,273
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total operating disbursements	-	55,273	-	4,676	59,949
Excess (deficiency) of operating receipts over (under) disbursements	-	73,214	6,535	(2,328)	77,421
NONOPERATING RECEIPTS (DISBURSEMENTS):					
Interest on investments	20,201	2,217	2,428	3,683	28,529
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of receipts over (under) disbursements	20,201	75,431	8,963	1,355	105,950
OTHER FINANCING SOURCES:					
Operating transfers in	-	-	-	75,356	75,356
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
NET CHANGE IN CASH BALANCE	20,201	75,431	8,963	76,711	181,306
CASH BALANCE, BEGINNING OF YEAR	100,964	91,098	115,321	114,410	421,793
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
CASH BALANCE, END OF YEAR	<u>\$ 121,165</u>	<u>\$ 166,529</u>	<u>\$ 124,284</u>	<u>\$ 191,121</u>	<u>\$ 603,099</u>
CASH BASIS FUND BALANCE:					
Reserved:					
Capital improvement	\$ 121,165	\$ -	\$ 124,284	\$ 191,121	\$ 436,570
Unreserved	-	166,529	-	-	166,529
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total cash basis fund balance	<u>\$ 121,165</u>	<u>\$ 166,529</u>	<u>\$ 124,284</u>	<u>\$ 191,121</u>	<u>\$ 603,099</u>

CITY OF GRUNDY CENTER

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

Nonmajor Special Revenue Funds

As of and for the Year Ended June 30, 2009

	<u>TIF Debt Service</u>	<u>Library Gift Trust</u>	<u>Fire Dept Gift Trust</u>	<u>Admin- Econ Development Gift Trust</u>
RECEIPTS:				
Use of money and property	\$ 27	\$ 179	\$ 130	\$ -
Miscellaneous	<u>-</u>	<u>12,790</u>	<u>3,045</u>	<u>2,300</u>
Total receipts	<u>27</u>	<u>12,969</u>	<u>3,175</u>	<u>2,300</u>
DISBURSEMENTS:				
Operating:				
Public safety	-	-	3,095	-
Culture and recreation	-	13,979	-	-
Community and economic development	-	-	-	2,300
Debt service	181,554			
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>181,554</u>	<u>13,979</u>	<u>3,095</u>	<u>2,300</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(181,527)</u>	<u>(1,010)</u>	<u>80</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	-	2,500	-	-
Operating transfers in	187,700	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>187,700</u>	<u>2,500</u>	<u>-</u>	<u>-</u>
NET CHANGE IN CASH BALANCE	6,173	1,490	80	-
CASH BALANCE, BEGINNING OF YEAR	<u>(21,638)</u>	<u>7,262</u>	<u>7,515</u>	<u>-</u>
CASH BALANCE, END OF YEAR	<u>\$ (15,465)</u>	<u>\$ 8,752</u>	<u>\$ 7,595</u>	<u>\$ -</u>
CASH BASIS FUND BALANCE:				
Unreserved:				
Special revenue funds	<u>\$ (15,465)</u>	<u>\$ 8,752</u>	<u>\$ 7,595</u>	<u>\$ -</u>

Schedule 3

Park Board Gift Trust	Community Center Gift Trust	Ambulance Gift Trust	Tree Gift Trust	Visioning Grant	TIF Projects	Special Assessment Projects	Totals
\$ 286	\$ 165	\$ 129	\$ 21	\$ 37	\$ 181	\$ -	\$ 1,155
-	687	2,241	2,598	-	35,000	-	58,661
<u>286</u>	<u>852</u>	<u>2,370</u>	<u>2,619</u>	<u>37</u>	<u>35,181</u>	<u>-</u>	<u>59,816</u>
-	-	-	-	-	-	-	3,095
3,649	80	1,432	-	-	-	-	19,140
-	-	-	3,832	-	-	-	6,132
-	-	-	-	-	1,500	694	181,554
<u>3,649</u>	<u>80</u>	<u>1,432</u>	<u>3,832</u>	<u>-</u>	<u>1,500</u>	<u>694</u>	<u>212,115</u>
<u>(3,363)</u>	<u>772</u>	<u>938</u>	<u>(1,213)</u>	<u>37</u>	<u>33,681</u>	<u>(694)</u>	<u>(152,299)</u>
-	-	-	-	-	11,500	-	14,000
-	-	-	-	-	-	6,873	194,573
-	-	-	-	-	(46,500)	(6,179)	(52,679)
-	-	-	-	-	(35,000)	694	155,894
<u>(3,363)</u>	<u>772</u>	<u>938</u>	<u>(1,213)</u>	<u>37</u>	<u>(1,319)</u>	<u>-</u>	<u>3,595</u>
<u>13,558</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>50,574</u>
<u>\$ 10,195</u>	<u>\$ 8,944</u>	<u>\$ 9,272</u>	<u>\$ 597</u>	<u>\$ 3,801</u>	<u>\$ 32,618</u>	<u>\$ (12,140)</u>	<u>\$ 54,169</u>
<u>\$ 10,195</u>	<u>\$ 8,944</u>	<u>\$ 9,272</u>	<u>\$ 597</u>	<u>\$ 3,801</u>	<u>\$ 32,618</u>	<u>\$ (12,140)</u>	<u>\$ 54,169</u>

CITY OF GRUNDY CENTER

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

Nonmajor Capital Projects Funds

As of and for the Year Ended June 30, 2009

	Continuing Projects	Equipment Reserve	Fire Equipment Reserve
RECEIPTS:			
Other city taxes	\$ -	\$ -	\$ -
Use of money and property	-	2,422	2,356
Intergovernmental	-	-	-
Charges for services	-	-	25,612
Miscellaneous	-	18,344	-
	-	18,344	-
Total receipts	-	20,766	27,968
DISBURSEMENTS:			
Public safety	-	-	-
Community and economic development	-	-	-
Capital projects	70,892	38,392	-
	70,892	38,392	-
Total disbursements	70,892	38,392	-
Excess (deficiency) of receipts over (under) disbursements	(70,892)	(17,626)	27,968
OTHER FINANCING SOURCES:			
Sale of property	-	2,818	-
Operating transfers in	-	3,894	-
	-	6,712	-
Net other financing sources	-	6,712	-
NET CHANGE IN CASH BALANCE	(70,892)	(10,914)	27,968
CASH BALANCE, BEGINNING OF YEAR	44,545	117,094	106,289
CASH BALANCE, END OF YEAR	\$ (26,347)	\$ 106,180	\$ 134,257
CASH BASIS FUND BALANCE:			
Unreserved:			
Capital project funds	\$ (26,347)	\$ 106,180	\$ 134,257

Schedule 4

Grundy Center Police Reserve	Community Betterment	Housing Rehabilitation	D & D Program	Totals
\$ -	\$ 92,806	\$ -	\$ -	\$ 92,806
106	824	-	-	5,708
-	-	48,803	-	48,803
-	-	-	-	25,612
5,368	-	-	-	23,712
<u>5,474</u>	<u>93,630</u>	<u>48,803</u>	<u>-</u>	<u>196,641</u>
6,444	-	-	-	6,444
-	31,611	26,785	692	59,088
-	-	-	-	109,284
<u>6,444</u>	<u>31,611</u>	<u>26,785</u>	<u>692</u>	<u>174,816</u>
<u>(970)</u>	<u>62,019</u>	<u>22,018</u>	<u>(692)</u>	<u>21,825</u>
-	-	-	-	2,818
8,000	-	-	-	11,894
<u>8,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,712</u>
7,030	62,019	22,018	(692)	36,537
<u>7,621</u>	<u>37,770</u>	<u>(11,456)</u>	<u>546</u>	<u>302,409</u>
<u>\$ 14,651</u>	<u>\$ 99,789</u>	<u>\$ 10,562</u>	<u>\$ (146)</u>	<u>\$ 338,946</u>
<u>\$ 14,651</u>	<u>\$ 99,789</u>	<u>\$ 10,562</u>	<u>\$ (146)</u>	<u>\$ 338,946</u>

CITY OF GRUNDY CENTER

Schedule of Indebtedness

Year Ended June 30, 2009

<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>
\$ 66,000	\$ -	\$ 33,000	\$ 33,000	\$ -	\$ -
325,000	-	20,000	305,000	16,450	-
1,500,000	-	80,000	1,420,000	69,576	-
1,200,000	-	-	1,200,000	54,948	-
<u>3,091,000</u>	<u>-</u>	<u>133,000</u>	<u>2,958,000</u>	<u>140,974</u>	<u>-</u>
<u>445,844</u>	<u>234,156</u>	<u>25,000</u>	<u>655,000</u>	<u>17,679</u>	<u>-</u>
14,486	-	14,486	-	878	-
56,295	-	16,536	39,759	3,484	-
9,224	-	9,224	-	363	-
15,743	-	10,323	5,420	803	-
229,898	-	20,584	209,314	11,803	-
<u>325,646</u>	<u>-</u>	<u>71,153</u>	<u>254,493</u>	<u>17,331</u>	<u>-</u>
<u>51,449</u>	<u>-</u>	<u>28,948</u>	<u>22,501</u>	<u>1,569</u>	<u>-</u>
<u>\$ 3,913,939</u>	<u>\$ 234,156</u>	<u>\$ 258,101</u>	<u>\$ 3,889,994</u>	<u>\$ 177,553</u>	<u>\$ -</u>

CITY OF GRUNDY CENTER

Bond and Note Maturities

June 30, 2009

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
	2010	\$ 33,000	-	\$ 20,000	4.80%	\$ 85,000
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	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
	<u>\$ 33,000</u>		<u>\$ 305,000</u>		<u>\$ 1,420,000</u>	

Year ending June 30,	Urban Renewal Tax Increment Issued March 20, 2000		Urban Renewal Tax Increment Issued August 6, 2001		Urban Renewal Tax Increment Issued June 30, 2004	
	Principal	Interest Rates	Principal	Interest Rates	Principal	Interest Rates
	2010	\$ 7,834	6.50%	\$ 5,420	6.50%	\$ 21,503
2011	8,143	6.50%	-	-	22,662	5.25%
2012	8,681	6.50%	-	-	23,861	5.25%
2013	9,254	6.50%	-	-	25,170	5.25%
2014	5,847	6.50%	-	-	26,526	5.25%
2015	-	6.50%	-	-	27,956	5.25%
2016	-	-	-	-	29,456	5.25%
2017	-	-	-	-	32,180	5.25%
	<u>\$ 39,759</u>		<u>\$ 5,420</u>		<u>\$ 209,314</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%	\$ 138,000	\$ 26,000	3.00%	
-	4.95%	150,000	27,000	3.00%	
30,000	4.95%	180,000	28,000	3.00%	
60,000	4.95%	210,000	29,000	3.00%	
65,000	4.95%	225,000	29,000	3.00%	
70,000	4.95%	235,000	30,000	3.00%	
70,000	4.55%	180,000	31,000	3.00%	
75,000	4.20%	185,000	32,000	3.00%	
75,000	4.30%	190,000	33,000	3.00%	
80,000	4.35%	200,000	34,000	3.00%	
85,000	4.40%	205,000	35,000	3.00%	
90,000	4.45%	220,000	36,000	3.00%	
90,000	4.50%	230,000	37,000	3.00%	
95,000	4.55%	95,000	38,000	3.00%	
100,000	4.60%	100,000	40,000	3.00%	
105,000	4.65%	105,000	41,000	3.00%	
110,000	4.70%	110,000	42,000	3.00%	
-	-	-	43,000	3.00%	
-	0.00%	-	44,000	3.00%	
<u>\$ 1,200,000</u>		<u>\$ 2,958,000</u>	<u>\$ 655,000</u>		

Total	
\$	34,757
	30,805
	32,542
	34,424
	32,373
	27,956
	29,456
	32,180
<u>\$</u>	<u>254,493</u>

CITY OF GRUNDY CENTER

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

For the Last Six Years

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
RECEIPTS:						
Property tax	\$ 980,859	\$ 846,224	\$ 878,983	\$ 793,576	\$ 769,143	\$ 712,802
Tax increment financing collections	176,200	134,272	113,161	98,702	86,642	92,621
Other city tax	192,884	177,878	181,982	159,582	144,166	139,534
Licenses and permits	5,802	5,066	5,206	7,485	7,928	6,015
Use of money and property	36,017	105,295	57,244	55,810	47,291	44,224
Intergovernmental	398,665	298,492	288,327	516,825	340,691	380,403
Special assessments	7,550	4,995	25,634	26,378	74,076	80,414
Charges for services	124,985	60,213	60,217	85,245	65,316	36,762
Miscellaneous	275,903	342,221	124,300	225,084	117,547	121,837
Total	<u>\$ 2,198,865</u>	<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	\$ 314,050	\$ 285,389	\$ 262,614	\$ 284,886	\$ 275,918	\$ 269,802
Public works	549,860	463,046	451,869	587,681	406,261	449,217
Health and social services	1,820	4,520	4,020	4,020	4,020	4,020
Culture and recreation	345,664	303,227	290,401	317,876	310,284	291,491
Community and economic development	73,997	149,609	181,294	206,680	139,621	185,187
General government	200,029	185,502	177,220	185,679	167,467	173,380
Debt service	380,580	173,397	50,740	51,340	51,903	52,413
Capital projects	392,654	2,983,860	565,344	457,461	445,228	144,579
Total	<u>\$ 2,258,654</u>	<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, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated January 15, 2010, 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 in internal control 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 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-09 and II-C-09 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, 2009, 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 15, 2010

CITY OF GRUNDY CENTER

Schedule of Findings

Year Ended June 30, 2009

PART I: SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS

1. A qualified opinion was issued on the financial statements which 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.
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-09: 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, 2009

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

II-B-09: 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 statements 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 plans to change procedures as recommended which it believes will result in potential financial statement misstatements being identified and corrected prior to audit.

Conclusion:

Response accepted.

II-C-09: 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 than inconsequential, would be identified and corrected.

CITY OF GRUNDY CENTER

Schedule of Findings

Year Ended June 30, 2009

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

II-C-09: 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, 2009

PART III: FINDINGS RELATED TO STATUTORY REPORTING

- III-A-2009 Certified Budget - Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in the debt service 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-2009 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-2009 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-2009 Business Transactions - We noted no business transactions between the City and City officials or employees.
- III-E-2009 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-2009 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-2009 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-2009 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, 2009

PART III: FINDINGS RELATED TO STATUTORY REPORTING (CONTINUED)

III-I-2009 Financial Condition - The City had deficit balances in the Special Revenue - Special Assessments, Capital Projects - Continuing Projects, Capital Projects - D & D Program Fund, Capital Projects - Swimming Pool Reserve and the Special Revenue - TIF Debt Service.

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-2009 Employee Benefits - The City overlevied for Employee Benefits.

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

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

Conclusion - Response accepted.

CITY OF GRUNDY CENTER

Audit Staff

This audit was performed by:

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Bradley Hauge, CPA, Assurance Partner

Justin Zimmerman, CPA, Manager

Josh Barta, Senior Associate

Alan Moran, Associate