



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

June 30, 2010

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CITY OF GRUNDY CENTER

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rex Van Wert	Mayor	January 2012
Lennie Phillips	Council Member	January 2012
David Stefl	Council Member	January 2014
Mark Lynch	Council Member	January 2014
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, 2010, 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 \$4,211,159 and \$4,717,028, 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 \$505,869, and the ending proprietary funds cash balance would have been \$10,074,195.

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, 2010, 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, 2010, 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 our report dated January 29, 2011 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 the internal control over financial reporting or on 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.

The management's discussion and analysis and budgetary comparison information on pages 7 through 13 and 38 through 40 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, 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 six years ended June 30, 2009 (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 Henderson LLP

Cedar Rapids, Iowa
January 29, 2011

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, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2010 Financial Highlights

Revenues of the City's governmental activities decreased 12.5% or approximately \$274,500 from fiscal 2009 to fiscal 2010. Property tax collections increased approximately \$6,000, intergovernmental revenues decreased approximately \$120,000, charges for services and miscellaneous revenues decreased approximately \$101,000.

Disbursements for governmental activities decreased 14.8% or approximately \$365,500 in fiscal 2010 from fiscal 2009. There was a decrease of approximately \$341,000 in Capital Projects for the costs of finalizing the construction of the new aquatic facility in previous years. Public works expenditures also decreased \$72,000 due to completing the Highway 14 improvements in fiscal year 2009.

During the year, no new debt was added and over \$230,000 was redeemed for an outstanding debt balance of \$3,658,980 at the end of the year. Interest costs during the year totaled \$169,418.

The City's cash basis fund balance for governmental funds increased 6.9% or approximately \$42,000 from June 30, 2009 to June 30, 2010. The increase in assets can mainly be attributed to finishing capital projects in the past two years in the General Fund.

The City's proprietary funds saw a small increase in revenues (\$24,000) and expenditures (\$128,000). The increase in expenditures was due to the purchase of property from the storm sewer fund to address specific flooding issues. Overall the proprietary funds have a fund balance of \$1,977,152 at June 30, 2010.

Using This Annual Report

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor Governmental and Enterprise Funds. A Schedule of Indebtedness is also provided and seven-year comparative data can also be found here.

Basis of Accounting

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

Reporting the City's Financial Activities

Government-wide Financial Statement

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

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

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property taxes, sales tax collections, and State/Federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, the sanitation department, and ambulance service. These are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

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

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

- 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, sanitation, and ambulance service funds, which are considered to be major funds of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City saw an increase in revenues and expenditures in the Swimming Pool Reserve Fund as it completed the construction of a new aquatic facility. The City continues to maintain reserves in the Road Use Tax Fund for the expected City share of repairs to Highway 14 within the city limits. These repairs have been completed for a year and the City awaits a bill from the State of Iowa Department of Transportation. The General Fund continues to carry a small balance; it has grown as management continues to control expenditures to match revenues and create a cushion for unexpected expenses.

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$608,173 to \$649,944. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	<u>2010</u>	<u>2009</u>
Receipts:		
Program receipts:		
Charges for services	\$ 121,056	\$ 124,985
General receipts:		
Property tax	986,636	980,859
Tax increment financing	140,400	176,200
Other city tax	182,004	192,884
Use of money and property	31,181	36,017
Licenses and permits	6,410	5,802
Intergovernmental	278,781	398,665
Special assessments	3,170	7,550
Miscellaneous	<u>174,633</u>	<u>275,903</u>
Total receipts	<u>1,924,271</u>	<u>2,198,865</u>
Disbursements:		
Public safety	357,985	314,050
Public works	478,164	549,860
Health and social services	1,820	1,820
Culture and recreation	401,086	345,664
Community and economic development	68,166	73,997
General government	198,727	200,029
Debt service	344,954	380,580
Capital projects	<u>51,256</u>	<u>392,654</u>
Total disbursements	<u>1,902,158</u>	<u>2,258,654</u>

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

	<u>2010</u>	<u>2009</u>
Excess (deficiency) of receipts over (under) disbursements	22,113	(59,789)
Other financing sources (uses):		
Operating transfers, net	(2,687)	(116,295)
Sales of assets	22,345	16,818
Total other financing sources (uses)	19,658	(99,477)
Change in cash basis net assets	41,771	(159,266)
Cash basis net assets, beginning of year	608,173	767,439
Cash basis net assets, end of year	<u>\$ 649,944</u>	<u>\$ 608,173</u>

The City reduced the property tax millage rate for 2010. The reduction in the millage rate for residential properties was the result of a lower levy rate for employee benefits. With the reduced need for property tax collections for employee benefits, the City collected almost \$6,000 more in property taxes for the General Fund, Special Revenue Fund, and Debt Service Fund.

The cost of all governmental activities this year was \$1,902,158 compared to \$2,258,654 last year. The Statement of Activities and Net Assets on pages 15-18 reveals that the amount the taxpayers ultimately financed for these activities was \$1,331,481 because some of the cost was paid by those directly benefiting from the programs or by other government agencies and organizations.

Changes in Cash Basis Net Assets of Business Type Activities

	<u>2010</u>	<u>2009</u>
Receipts:		
Program receipts:		
Charges for services:		
Water	\$ 524,851	\$ 511,081
Sewer	216,847	234,735
Sanitation	206,267	243,814
General receipts:		
Unrestricted investment earnings	80,890	88,510
Bond proceeds	-	234,156
Other general receipts	203,044	140,279
Total receipts	<u>1,231,899</u>	<u>1,452,575</u>
Disbursements:		
Water	443,900	432,342
Sewer	240,725	205,939
Sewer reserve	55,143	87,766
Sanitation	233,505	250,630
Ambulance	54,524	55,273
Storm sewer	137,252	-
Sanitation reserve	-	4,676
Total disbursements	<u>1,165,053</u>	<u>1,036,626</u>

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

	<u>2010</u>	<u>2009</u>
Excess of receipts over disbursements	<u>66,846</u>	<u>415,949</u>
Other financing sources:		
Transfers, net	2,687	116,295
Sale of assets	<u>8,664</u>	<u>-</u>
Total other financing sources	<u>11,351</u>	<u>116,295</u>
Change in cash basis net assets	78,197	532,244
Cash basis net assets, beginning of year	<u>1,898,955</u>	<u>1,366,711</u>
Cash basis net assets, end of year	<u>\$1,977,152</u>	<u>\$1,898,955</u>

The business activities receipts for the fiscal year were \$1,231,899 compared to \$1,452,575 last year. This decrease in revenues was due to no new issuances of debt. Total disbursements increased by \$128,427 from \$1,036,626 for fiscal year 2009 to \$1,165,053 for fiscal year 2010. During the year, the City spent just over \$137,000 on a capital project at the wastewater treatment facility.

Individual Major Governmental Fund Analysis

At the end of the fiscal year the City of Grundy Center had a combined fund balance of \$649,944 in its Governmental Funds, which represents a positive change of \$41,771. The following are the highlights of the changes to the fund balances of the major funds from last year's activities:

- The General Fund decreased its balance by just over \$32,000 or about 26% due to increased expenditures in the public works, public safety, and culture and recreation departments.
- The Special Revenue, Road Use Tax Fund increased by \$17,854 from 2009. The City was not able to spend as much time on street maintenance as desired and this created the increase in fund balance.
- The Special Revenue, Special Revenue Fund decreased its balance by \$29,314 or about 53%. The decrease was due to a decrease in receipts from tax increment financing collections.
- The Debt Service Fund decreased its balance by \$479 or about 8%. The decrease was due to payments on new debt issued in 2009.

Individual Major Business Type Fund Analysis

- The Enterprise, Water Fund and Enterprise, Water Reserve Fund, because of the changes to rates charged for water, saw an increase in its collective balance at the end of the year of over \$112,000. The City has passed on the last 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. A long term contract has been signed to address this anticipation.

- The Enterprise, Sanitary Sewer Fund saw a decrease of \$97,080 due to an interfund loan to the new Storm Sewer Fund. This loan will be repaid over time with interest.
- The Enterprise, Sanitary Sewer Reserve Fund saw a decrease of almost \$62,000 due to an interfund loan to the new Storm Sewer Fund. This loan will be repaid over time with interest.
- The Enterprise, Sanitation Department has seen major changes in how it operates with the closure of the Grundy County landfill. This has lead 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
- The Enterprise, Ambulance Trust Fund has increased by \$108,464. The Ambulance Trust Fund is used to pay for equipment for the ambulance department.

Budgetary Highlights

During the year the budget was amended once. The amendment increased budgeted expenditures by \$190,576 for governmental funds and \$57,755 for enterprise funds. This was partially offset by an increase of \$118,060 for budgeted revenues.

Debt Administration

As of June 30, 2010, the City of Grundy Center had approximately \$3,659,000 in bonds and other long-term debt. This amount is approximately \$231,000 less than a year ago as is shown below.

Outstanding Debt at Year-End (Expressed in Thousands)

	<u>2010</u>	<u>2009</u>
General Obligation Bonds:		
Sanitary sewer	\$ 285	\$ 305
Fire station	-	33
Aquatic center	2,535	2,620
Revenue Bonds:		
Sewer revenue	629	655
Urban renewal tax increment financing	210	254
Capital lease obligation	<u>-</u>	<u>23</u>
 Total indebtedness	 <u>\$ 3,659</u>	 <u>\$ 3,890</u>

Debt decreased in the last year as a result of making payments on the bonds. 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 \$5,667,000. With no debt added in the current year, we are at almost 65% of that limit.

Economic Factors and Next Year's Budget and Rates

The Grundy Center City Council didn't take action on next year's budget (FY2011) by the March 8, 2010 deadline. In preparing the budget, tax levy rate, and charges for services, they considered many items such as the debt service levy for the new aquatic center, increasing health care costs for employees and the pay raise for employees and the desire to contain property taxes as much as possible. 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 2011 expenditures was decreased by almost \$165,000. The decrease was the result of decreased budgets for capital projects and public works offset by an increase for the new Storm Sewer Fund.

With the budget decrease, the tax levy rate was increased from \$16.57469 per thousand dollars of taxable valuation to \$17.19647 per thousand dollars of taxable valuation. This increase was in the areas of 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:

Property tax on a \$100,000 home

Fiscal Year:	<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	45.9960 %	45.5596 %	44.0803 %	45.5893 %	46.9094 %
Taxable value	5,996	45,560	44,080	45,589	46,909
Tax rate per \$1,000	15.22187	14.51541	17.16697	16.57469	17.19647
Calculated tax	700	661	757	756	807
% of total tax bill	38.270 %	37.850 %	38.758 %	42.345 %	43.665 %

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

Contacting the City's Financial Management

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

BASIC FINANCIAL STATEMENTS

CITY OF GRUNDY CENTER

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2010

	<u>Disbursements</u>	<u>Program Receipts</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 357,985	\$ 1,837	\$ 24,888	\$ -
Public works	478,164	-	240,810	-
Health and social services	1,820	-	-	-
Culture and recreation	401,086	115,214	80,972	-
Community and economic development	68,166	2,433	22,359	-
General government	198,727	3,877	130	-
Debt service	344,954	-	-	-
Capital projects	51,256	-	-	78,157
Total governmental activities	<u>1,902,158</u>	<u>123,361</u>	<u>369,159</u>	<u>78,157</u>
Business type activities:				
Water	443,900	525,451	482	-
Sewer	295,868	217,672	51,102	-
Sanitation	233,505	249,735	1,333	-
Ambulance	54,528	117,627	16,688	-
Storm sewer	137,252	-	-	-
Total business type activities	<u>1,165,053</u>	<u>1,110,485</u>	<u>69,605</u>	<u>-</u>
Total	<u>\$ 3,067,211</u>	<u>\$ 1,233,846</u>	<u>\$ 438,764</u>	<u>\$ 78,157</u>
GENERAL RECEIPTS AND TRANSFERS:				
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			
Governmental Activities	Business Type Activities	Total	
\$ (331,260)	\$ -	\$ (331,260)	
(237,354)	-	(237,354)	
(1,820)	-	(1,820)	
(204,900)	-	(204,900)	
(43,374)	-	(43,374)	
(194,720)	-	(194,720)	
(344,954)	-	(344,954)	
26,901	-	26,901	
(1,331,481)	-	(1,331,481)	
-	82,033	82,033	
-	(27,094)	(27,094)	
-	17,563	17,563	
-	79,787	79,787	
-	(137,252)	(137,252)	
-	15,037	15,037	
(1,331,481)	15,037	(1,316,444)	
585,986	-	585,986	
183,163	-	183,163	
140,400	-	140,400	
217,488	-	217,488	
7,685	-	7,685	
175,711	-	175,711	
3,170	-	3,170	
10,715	-	10,715	
8,458	26,088	34,546	

CITY OF GRUNDY CENTER

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2010

		Program Receipts	
		Operating Grants, Contributions, and Restricted <u>Interest</u>	Capital Grants, Contributions, and Restricted <u>Interest</u>
<u>Disbursements</u>	<u>Charges for Services</u>		
GENERAL RECEIPTS AND TRANSFERS (continued):			
Rents			
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**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
-	22,694	22,694
20,395	8,664	29,059
22,768	3,027	25,795
(2,687)	2,687	-
<u>1,373,252</u>	<u>63,160</u>	<u>1,436,412</u>
41,771	78,197	119,968
<u>608,173</u>	<u>1,898,955</u>	<u>2,507,128</u>
<u>\$ 649,944</u>	<u>\$ 1,977,152</u>	<u>\$ 2,627,096</u>
\$ 140,140	\$ -	\$ 140,140
79,559	-	79,559
5,541	-	5,541
333,463	1,234,780	1,568,243
<u>91,241</u>	<u>742,372</u>	<u>833,613</u>
<u>\$ 649,944</u>	<u>\$ 1,977,152</u>	<u>\$ 2,627,096</u>

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

CITY OF GRUNDY CENTER

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

As of and for the year ended June 30, 2010

	<u>Special Revenue</u>		
	<u>General</u>	<u>Road Use Tax</u>	<u>Special Revenue</u>
RECEIPTS:			
Property tax	\$ 585,985	\$ -	\$ 183,163
Tax increment financing collections	-	-	140,400
Other city tax	92,606	-	-
Licenses and permits	6,410	-	-
Use of money and property	23,445	-	2,112
Intergovernmental	35,471	240,810	-
Special assessments	-	-	-
Charges for services	94,455	-	-
Miscellaneous	57,072	-	-
	<u>895,444</u>	<u>240,810</u>	<u>325,675</u>
Total receipts			
DISBURSEMENTS:			
Operating:			
Public safety	334,159	-	-
Public works	234,808	222,956	-
Health and social services	1,820	-	-
Culture and recreation	352,394	-	-
Community and economic development	11,179	-	-
General government	198,727	-	-
Debt service	-	-	-
Capital projects	-	-	-
	<u>1,133,087</u>	<u>222,956</u>	<u>-</u>
Total disbursements			
Excess (deficiency) of receipts over (under) disbursements	<u>(237,643)</u>	<u>17,854</u>	<u>325,675</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	-	-	-
Operating transfers in	214,589	-	-
Operating transfers out	(9,350)	-	(354,989)
	<u>205,239</u>	<u>-</u>	<u>(354,989)</u>
Net other financing sources (uses)			

Exhibit B

<u>Debt</u> <u>Service</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Totals</u>
\$ 217,488	\$ -	\$ 986,636
-	-	140,400
1,543	87,855	182,004
-	-	6,410
438	5,186	31,181
-	2,500	278,781
3,170	-	3,170
-	26,601	121,056
-	117,561	174,633
<u>222,639</u>	<u>239,703</u>	<u>1,924,271</u>
-	23,826	357,985
20,400	-	478,164
-	-	1,820
400	48,292	401,086
-	56,987	68,166
-	-	198,727
199,148	145,806	344,954
-	51,256	51,256
<u>219,948</u>	<u>326,167</u>	<u>1,902,158</u>
<u>2,691</u>	<u>(86,464)</u>	<u>22,113</u>
-	22,345	22,345
-	159,419	374,008
<u>(3,170)</u>	<u>(9,186)</u>	<u>(376,695)</u>
<u>(3,170)</u>	<u>172,578</u>	<u>19,658</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, 2010

	<u>Special Revenue</u>		
	<u>General</u>	<u>Road Use Tax</u>	<u>Special Revenue</u>
NET CHANGE IN CASH BALANCE	(32,404)	17,854	(29,314)
CASH BALANCE, BEGINNING OF YEAR	<u>123,645</u>	<u>122,286</u>	<u>55,171</u>
CASH BALANCE, END OF YEAR	<u>\$ 91,241</u>	<u>\$ 140,140</u>	<u>\$ 25,857</u>
CASH BASIS FUND BALANCE:			
Reserved:			
Debt service	\$ -	\$ -	\$ -
Unreserved:			
General	91,241	-	-
Special revenue funds	-	140,140	25,857
Capital project funds	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balance	<u>\$ 91,241</u>	<u>\$ 140,140</u>	<u>\$ 25,857</u>

Exhibit B

<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
(479)	86,114	41,771
<u>6,020</u>	<u>301,051</u>	<u>608,173</u>
<u>\$ 5,541</u>	<u>\$ 387,165</u>	<u>\$ 649,944</u>
\$ 5,541	\$ -	\$ 5,541
-	-	91,241
-	53,702	219,699
<u>-</u>	<u>333,463</u>	<u>333,463</u>
<u>\$ 5,541</u>	<u>\$ 387,165</u>	<u>\$ 649,944</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, 2010

	<u>Water</u>	<u>Sanitary Sewer</u>	<u>Sanitary Sewer Reserve</u>
OPERATING RECEIPTS:			
Intergovernmental	\$ 482	\$ 18,207	\$ -
Charges for services	524,851	216,847	-
Miscellaneous	1,111	1,613	-
	<u>526,444</u>	<u>236,667</u>	<u>-</u>
Total operating receipts			
OPERATING DISBURSEMENTS:			
Business type activities:			
Water	443,900	-	-
Sewer	-	240,725	55,143
Sanitation	-	-	-
Ambulance	-	-	-
Storm Sewer	-	-	-
	<u>443,900</u>	<u>240,725</u>	<u>55,143</u>
Total operating disbursements			
Excess (deficiency) of operating receipts over (under) operating disbursements	82,544	(4,058)	(55,143)
NONOPERATING RECEIPTS:			
Interest on investments	5,683	2,705	43,221
	<u>88,227</u>	<u>(1,353)</u>	<u>(11,922)</u>
Excess (deficiency) of receipts over (under) disbursements			
OTHER FINANCING SOURCES (USES):			
Sale of capital assets	3,641	4,273	-
Operating transfers in	-	-	100,777
Operating transfers out	(300,000)	(100,000)	(150,000)
	<u>(296,359)</u>	<u>(95,727)</u>	<u>(49,223)</u>
Net other financing sources (uses)			

<u>Enterprise Funds</u>				
<u>Sanitation</u>	<u>Water Reserve</u>	<u>Ambulance Trust</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>
\$ 1,333	\$ -	\$ 6,778	\$ 6,210	\$ 33,010
206,267	-	-	117,627	1,065,592
43,468	-	-	6,215	52,407
<u>251,068</u>	<u>-</u>	<u>6,778</u>	<u>130,052</u>	<u>1,151,009</u>
-	-	-	-	443,900
-	-	-	-	295,868
233,505	-	-	-	233,505
-	-	-	54,528	54,528
-	-	-	137,252	137,252
<u>233,505</u>	<u>-</u>	<u>-</u>	<u>191,780</u>	<u>1,165,053</u>
17,563	-	6,778	(61,728)	(14,044)
<u>2,443</u>	<u>19,792</u>	<u>1,686</u>	<u>5,360</u>	<u>80,890</u>
<u>20,006</u>	<u>19,792</u>	<u>8,464</u>	<u>(56,368)</u>	<u>66,846</u>
-	-	-	750	8,664
-	300,777	100,000	151,133	652,687
-	-	-	(100,000)	(650,000)
<u>-</u>	<u>300,777</u>	<u>100,000</u>	<u>51,883</u>	<u>11,351</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, 2010

	<u>Water</u>	<u>Sanitary Sewer</u>	<u>Sanitary Sewer Reserve</u>
NET CHANGE IN CASH BALANCE	(208,132)	(97,080)	(61,145)
CASH BALANCE, BEGINNING OF YEAR	<u>379,796</u>	<u>200,429</u>	<u>540,456</u>
CASH BALANCE, END OF YEAR	<u>\$ 171,664</u>	<u>\$ 103,349</u>	<u>\$ 479,311</u>
CASH BASIS FUND BALANCE:			
Reserved:			
Capital improvement	\$ -	\$ 103,349	\$ 479,311
Unreserved	<u>171,664</u>	<u>-</u>	<u>-</u>
Total cash basis fund balance	<u>\$ 171,664</u>	<u>\$ 103,349</u>	<u>\$ 479,311</u>

<u>Enterprise Funds</u>				
<u>Sanitation</u>	<u>Water Reserve</u>	<u>Ambulance Trust</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>
20,006	320,569	108,464	(4,485)	78,197
<u>175,176</u>	<u>121,165</u>	<u>124,284</u>	<u>357,649</u>	<u>1,898,955</u>
<u>\$ 195,182</u>	<u>\$ 441,734</u>	<u>\$ 232,748</u>	<u>\$ 353,164</u>	<u>\$ 1,977,152</u>
\$ -	\$ 441,734	\$ -	\$ 210,386	\$ 1,234,780
<u>195,182</u>	<u>-</u>	<u>232,748</u>	<u>142,778</u>	<u>742,372</u>
<u>\$ 195,182</u>	<u>\$ 441,734</u>	<u>\$ 232,748</u>	<u>\$ 353,164</u>	<u>\$ 1,977,152</u>

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

CITY OF GRUNDY CENTER

Notes to Financial Statements

June 30, 2010

(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. The City also provides water and sewer utilities for its citizens.

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 doesn't include the Grundy Center Municipal Light and Power Company, a component unit of the City. 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, 2010

(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 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 GRUNDY CENTER
Notes to Financial Statements
June 30, 2010

(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.

The City reports the following major proprietary funds:

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

The Enterprise, Sanitary Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Sanitary Sewer Reserve Fund is a reserve for capital projects to the City's wastewater treatment and sanitary sewer system.

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

The Enterprise, Water Reserve Fund is a reserve for capital projects to the City's water system.

The Enterprise, Ambulance Trust Fund is a reserve for capital projects to the City's ambulance department.

C. Measurement Focus and 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.

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, 2010

(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, 2010, disbursements exceeded the amounts budgeted in the public safety, business activities 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, 2008, to compute the amounts which became liens on property on July 1, 2009. These taxes were due and payable in two installments on September 30, 2009 and March 31, 2010, 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, 2010, 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, 2010

(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
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	30,691	8,051	29,000	17,220	269,691	139,861
2014	225,000	104,113	26,526	5,861	29,000	16,350	280,526	126,324
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	32,004	1,336	32,000	13,650	249,004	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>\$2,820,000</u>	<u>\$1,007,589</u>	<u>\$ 209,980</u>	<u>\$ 44,213</u>	<u>\$ 629,000</u>	<u>\$ 194,100</u>	<u>\$3,658,980</u>	<u>\$1,245,902</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.

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. Interest expense for the year totaled \$19,650.

CITY OF GRUNDY CENTER
Notes to Financial Statements
June 30, 2010

(4) Capital Lease

The City is the lessee of equipment under a capital lease with an interest rate of 4%. This lease was paid off in fiscal year ended June 30, 2010.

(5) Interfund Loans

The City has authorized the use of Enterprise, Sewer Reserve Fund resources to help finance the construction of the new city hall building. At June 30, 2010, \$98,500 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, Sanitation Reserve Fund, Enterprise, Sewer Reserve Fund, and Enterprise, Water Reserve Fund resources to help finance the Special Revenue, Special Assessments Project Fund. At June 30, 2010, \$2,694 is due from the Special Revenue, Special Assessments Project 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, Community Betterment Fund resources to help finance the Capital Projects, Swimming Pool Reserve Fund. At June 30, 2010, \$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.

The City has authorized the use of Enterprise, Sanitary Sewer Reserve Fund resources to help finance the new Enterprise, Storm Sewer Fund. At June 30, 2010, \$150,000 is due from the Enterprise, Storm Sewer Fund. Interest is to be charged at the rate of 3.25% on all outstanding balances. The loan is to be repaid from future collections of sbrrm sewer funds.

(6) Deficit Fund Balances

The following funds had deficit balances at June 30, 2010:

Special Revenue, Special Assessments	\$ (12,140)
Capital Projects, Continuing Projects	(24,790)
Capital Projects, D & D Program Fund	(191)
Capital Projects, Swimming Pool Reserve	(61,957)
Special Revenue, TIF Debt Service	(14,371)

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

CITY OF GRUNDY CENTER

Notes to Financial Statements

June 30, 2010

(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 4.30% of their annual covered salary and the City is required to contribute 6.65% 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, 2010, 2009 and 2008 were \$45,838, \$42,368 and \$37,780, 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 an unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plan), subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

(8) Other Postemployment Benefits (OPEB)

Plan Description - In September 1990, the City of Grundy Center adopted an early retirement policy for long-term employees. Any employee over the age of 62 with a combined age and years of service to the City over 92 is entitled to full medical insurance benefits until they reach the age of 65. Benefits provided by such insurance will be comparable to those available to Bargaining Unit employees within the City during the applicable period of time.

These medical/prescription drug benefits are provided through a fully-insured plan with Wellmark BC/BS of Iowa. Retirees under the age of 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are currently established by the City and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City are \$631 for a single plan and \$1,568 for a family plan. The same monthly premiums apply to retirees. For the fiscal year ended June 30, 2010, the City contributed \$6,648 to the plan.

CITY OF GRUNDY CENTER

Notes to Financial Statements

June 30, 2010

(9) 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, 2010, primarily relating to the General Fund, is \$52,595 and \$68,245, respectively. This liability has been computed based on rates of pay in effect at June 30, 2010.

(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.

(11) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Employer's Contribution	\$ 214,589
Debt Service: TIF	Special Revenue: Employer's Contribution	140,400
Debt Service: TIF	Special Revenue: TIF Projects	6,500
Special Revenue: Special Assessment	Debt Service	3,008
Capital Projects: Equipment Reserve	General	1,350
Capital Projects: Police Reserve	General	8,000
Enterprise: Water Reserve	Enterprise: Water	300,000

CITY OF GRUNDY CENTER

Notes to Financial Statements

June 30, 2010

(11) Interfund Transfers (continued)

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Enterprise: Sanitary Sewer Reserve	Special Revenue: Sanitary Sewer	100,000
Enterprise: Storm Sewer	Enterprise: Sanitary Sewer Reserve	150,000
Enterprise: Sanitation Reserve	Special Revenue: Special Assessments	1,132
Enterprise: Ambulance Trust	Enterprise: Ambulance	100,000
Capital Projects: Equipment Reserve	Debt Service	162
Enterprise: Water Reserve	Special Revenue: Special Assessments	777
Enterprise: Sewer Reserve	Special Revenue: Special Assessments	<u>777</u>
Total		<u>\$1,026,695</u>

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

(12) Risk Management

The City 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) 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.

CITY OF GRUNDY CENTER

Notes to Financial Statements

June 30, 2010

(14) New Accounting Standard

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued March 2009, will be effective for the City beginning with its year ending June 30, 2011. This Statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints.

It is not anticipated that the implementation of the new standard will have a significant effect on the City's financial statements.

(15) Subsequent Event

Subsequent to June 30, 2010, the City issued bonds totaling \$637,000. A portion of the proceeds will be used to refund the City's storm sewer bonds.

Management evaluated subsequent events through January 29, 2011, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2010, but prior to January 29, 2011, that provided additional evidence about conditions that existed at June 30, 2010, have been recognized in the financial statements for the year ended June 30, 2010. Events or transactions that provided evidence about conditions that did not exist at June 30, 2010, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2010.

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, 2010

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Less Funds not Required to <u>be Budgeted</u>
RECEIPTS:			
Property tax	\$ 986,636	\$ -	\$ -
Tax increment financing collections	140,400	-	-
Other city tax	182,004	-	-
Licenses and permits	6,410	-	-
Use of money and property	31,181	80,890	-
Intergovernmental	278,781	33,010	-
Charges for services	121,056	1,065,592	-
Special assessments	3,170	-	-
Miscellaneous	174,633	52,407	-
	<u>1,924,271</u>	<u>1,231,899</u>	<u>-</u>
Total receipts			
DISBURSEMENTS:			
Operating:			
Public safety	357,985	-	-
Public works	478,164	-	-
Health and social services	1,820	-	-
Culture and recreation	401,086	-	-
Community and economic development	68,166	-	-
General government	198,727	-	-
Debt service	344,954	-	-
Capital projects	51,256	-	-
Business type activities	-	1,165,053	-
	<u>1,902,158</u>	<u>1,165,053</u>	<u>-</u>
Total disbursements			
Excess (deficiency) of receipts over (under) disbursements	22,113	66,846	-
OTHER FINANCING SOURCES, NET	<u>19,658</u>	<u>11,351</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	41,771	78,197	-
BALANCES, BEGINNING OF YEAR	<u>608,173</u>	<u>1,898,955</u>	<u>-</u>
BALANCES, END OF YEAR	<u>\$ 649,944</u>	<u>\$ 1,977,152</u>	<u>\$ -</u>

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$ 986,636	\$ 987,456	\$ 987,456	\$ (820)
140,400	150,406	150,406	(10,006)
182,004	172,757	179,457	2,547
6,410	6,050	6,050	360
112,071	122,288	128,288	(16,217)
311,791	312,410	316,670	(4,879)
1,186,648	1,125,580	1,175,580	11,068
3,170	4,313	4,313	(1,143)
<u>227,040</u>	<u>185,750</u>	<u>236,850</u>	<u>(9,810)</u>
<u>3,156,170</u>	<u>3,067,010</u>	<u>3,185,070</u>	<u>(28,900)</u>
357,985	324,708	339,565	(18,420)
478,164	482,582	534,426	56,262
1,820	2,320	2,320	500
401,086	394,367	448,017	46,931
68,166	54,465	76,315	8,149
198,727	200,410	212,910	14,183
344,954	333,853	333,853	(11,101)
51,256	155,500	191,275	140,019
<u>1,165,053</u>	<u>1,096,348</u>	<u>1,154,203</u>	<u>(10,850)</u>
<u>3,067,211</u>	<u>3,044,553</u>	<u>3,292,884</u>	<u>225,673</u>
88,959	22,457	(107,814)	196,773
<u>31,009</u>	<u>-</u>	<u>-</u>	<u>31,009</u>
119,968	22,457	(107,814)	227,782
<u>2,507,128</u>	<u>2,481,560</u>	<u>2,481,560</u>	<u>25,568</u>
<u>\$ 2,627,096</u>	<u>\$ 2,504,017</u>	<u>\$ 2,373,746</u>	<u>\$ 253,350</u>

See accompanying independent auditor's report.

CITY OF GRUNDY CENTER

Notes to Required Supplementary Information- Budgetary Reporting

June 30, 2010

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. 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 \$248,331 and \$118,060, respectively. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the debt service, public safety and business type activities 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, 2010

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals</u>
RECEIPTS:			
Other city tax	\$ -	\$ 87,855	\$ 87,855
Use of money and property	823	4,363	5,186
Intergovernmental	-	2,500	2,500
Charges for services	-	26,601	26,601
Miscellaneous	68,372	49,189	117,561
	<u>69,195</u>	<u>170,508</u>	<u>239,703</u>
Total receipts			
DISBURSEMENTS:			
Operating:			
Public safety	81	23,745	23,826
Culture and recreation	48,292	-	48,292
Community and economic development	19,943	37,044	56,987
Debt service	145,806	-	145,806
Capital projects	2,773	48,483	51,256
	<u>216,895</u>	<u>109,272</u>	<u>326,167</u>
Total disbursements			
Excess (deficiency) of receipts over (under) disbursements	<u>(147,700)</u>	<u>61,236</u>	<u>(86,464)</u>
OTHER FINANCING SOURCES (USES):			
Sale of capital assets	6,513	15,832	22,345
Operating transfers in	149,908	9,511	159,419
Operating transfers out	(9,186)	-	(9,186)
	<u>147,235</u>	<u>25,343</u>	<u>172,578</u>
Net other financing sources			
NET CHANGE IN CASH BALANCE	(465)	86,579	86,114
CASH BALANCE, BEGINNING OF YEAR	<u>54,167</u>	<u>246,884</u>	<u>301,051</u>
CASH BALANCE, END OF YEAR	<u>\$ 53,702</u>	<u>\$ 333,463</u>	<u>\$ 387,165</u>
CASH BASIS FUND BALANCE:			
Unreserved:			
Special revenue funds	\$ 53,702	\$ -	\$ 53,702
Capital project funds	<u>-</u>	<u>333,463</u>	<u>333,463</u>
Total cash basis fund balance	<u>\$ 53,702</u>	<u>\$ 333,463</u>	<u>\$ 387,165</u>

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, 2010

	<u>Ambulance</u>	<u>Sanitation Reserve</u>	<u>Storm Sewer</u>	<u>Totals</u>
OPERATING RECEIPTS:				
Intergovernmental	\$ 6,210	\$ -	\$ -	\$ 6,210
Charges for services	117,627	-	-	117,627
Miscellaneous	<u>4,309</u>	<u>889</u>	<u>1,017</u>	<u>6,215</u>
Total operating receipts	<u>128,146</u>	<u>889</u>	<u>1,017</u>	<u>130,052</u>
OPERATING DISBURSEMENTS:				
Business type activities:				
Ambulance	54,528	-	-	54,528
Storm sewer	<u>-</u>	<u>-</u>	<u>137,252</u>	<u>137,252</u>
Total operating disbursements	<u>54,528</u>	<u>-</u>	<u>137,252</u>	<u>191,780</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	73,618	889	(136,235)	(61,728)
NONOPERATING RECEIPTS:				
Interest on investments	<u>2,632</u>	<u>2,701</u>	<u>27</u>	<u>5,360</u>
Excess (deficiency) of receipts over (under) disbursements	<u>76,250</u>	<u>3,590</u>	<u>(136,208)</u>	<u>(56,368)</u>
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	-	750	-	750
Operating transfers in	-	1,133	150,000	151,133
Operating transfers out	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
Net other financing sources (uses)	<u>(100,000)</u>	<u>1,883</u>	<u>150,000</u>	<u>51,883</u>
NET CHANGE IN CASH BALANCE	(23,750)	5,473	13,792	(4,485)
CASH BALANCE, BEGINNING OF YEAR	<u>166,528</u>	<u>191,121</u>	<u>-</u>	<u>357,649</u>
CASH BALANCE, END OF YEAR	<u>\$ 142,778</u>	<u>\$ 196,594</u>	<u>\$ 13,792</u>	<u>\$ 353,164</u>
CASH BASIS FUND BALANCE:				
Reserved:				
Capital improvement	\$ -	\$ 196,594	\$ 13,792	\$ 210,386
Unreserved	<u>142,778</u>	<u>-</u>	<u>-</u>	<u>142,778</u>
Total cash basis fund balance	<u>\$ 142,778</u>	<u>\$ 196,594</u>	<u>\$ 13,792</u>	<u>\$ 353,164</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, 2010

	<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	\$ -	\$ 115	\$ 95	\$ -
Miscellaneous	-	14,514	500	19,773
	<hr/>	<hr/>	<hr/>	<hr/>
Total receipts	-	14,629	595	19,773
	<hr/>	<hr/>	<hr/>	<hr/>
DISBURSEMENTS:				
Operating:				
Public safety	-	-	81	-
Culture and recreation	-	15,639	-	-
Community and economic development	-	-	-	19,773
Debt service	145,806	-	-	-
Capital projects	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total disbursements	145,806	15,639	81	19,773
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of receipts over (under) disbursements	(145,806)	(1,010)	514	-
	<hr/>	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	-	13	-	-
Operating transfers in	146,900	-	-	-
Operating transfers out	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net other financing sources	146,900	13	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
NET CHANGE IN CASH BALANCE	1,094	(997)	514	-
CASH BALANCE, BEGINNING OF YEAR	(15,465)	8,751	7,594	-
	<hr/>	<hr/>	<hr/>	<hr/>
CASH BALANCE, END OF YEAR	\$ (14,371)	\$ 7,754	\$ 8,108	\$ -
	<hr/>	<hr/>	<hr/>	<hr/>
CASH BASIS FUND BALANCE:				
Unreserved:				
Special revenue funds	\$ (14,371)	\$ 7,754	\$ 8,108	\$ -
	<hr/>	<hr/>	<hr/>	<hr/>

Schedule 3

<u>Park Board Gift Trust</u>	<u>Community Center Gift Trust</u>	<u>Ambulance Gift Trust</u>	<u>Tree Gift Trust</u>	<u>Visioning Grant</u>	<u>TIF Projects</u>	<u>Special Assessment Projects</u>	<u>Totals</u>
\$ 68	\$ 259	\$ 118	\$ 11	\$ 44	\$ 113	\$ -	\$ 823
3,250	25,195	1,982	2,075	-	1,083	-	68,372
<u>3,318</u>	<u>25,454</u>	<u>2,100</u>	<u>2,086</u>	<u>44</u>	<u>1,196</u>	<u>-</u>	<u>69,195</u>
-	-	-	-	-	-	-	81
5,900	24,331	2,422	-	-	-	-	48,292
-	-	-	170	-	-	-	19,943
-	-	-	-	-	-	-	145,806
-	-	-	-	-	2,451	322	2,773
<u>5,900</u>	<u>24,331</u>	<u>2,422</u>	<u>170</u>	<u>-</u>	<u>2,451</u>	<u>322</u>	<u>216,895</u>
<u>(2,582)</u>	<u>1,123</u>	<u>(322)</u>	<u>1,916</u>	<u>44</u>	<u>(1,255)</u>	<u>(322)</u>	<u>(147,700)</u>
-	-	-	-	-	6,500	-	6,513
-	-	-	-	-	-	3,008	149,908
-	-	-	-	-	(6,500)	(2,686)	(9,186)
-	-	-	-	-	-	322	147,235
<u>(2,582)</u>	<u>1,123</u>	<u>(322)</u>	<u>1,916</u>	<u>44</u>	<u>(1,255)</u>	<u>-</u>	<u>(465)</u>
<u>10,195</u>	<u>8,943</u>	<u>9,272</u>	<u>597</u>	<u>3,801</u>	<u>32,619</u>	<u>(12,140)</u>	<u>54,167</u>
<u>\$ 7,613</u>	<u>\$ 10,066</u>	<u>\$ 8,950</u>	<u>\$ 2,513</u>	<u>\$ 3,845</u>	<u>\$ 31,364</u>	<u>\$ (12,140)</u>	<u>\$ 53,702</u>
<u>\$ 7,613</u>	<u>\$ 10,066</u>	<u>\$ 8,950</u>	<u>\$ 2,513</u>	<u>\$ 3,845</u>	<u>\$ 31,364</u>	<u>\$ (12,140)</u>	<u>\$ 53,702</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, 2010

	<u>Continuing Projects</u>	<u>Equipment Reserve</u>	<u>Fire Equipment Reserve</u>
RECEIPTS:			
Other city taxes	\$ -	\$ -	\$ -
Use of money and property	-	1,456	1,684
Intergovernmental	-	-	-
Charges for services	-	-	26,601
Miscellaneous	-	2,863	5,000
	<hr/>	<hr/>	<hr/>
Total receipts	-	4,319	33,285
DISBURSEMENTS:			
Public safety	-	-	-
Community and economic development	-	-	-
Capital projects	4,442	608	32,968
	<hr/>	<hr/>	<hr/>
Total disbursements	4,442	608	32,968
Excess (deficiency) of receipts over (under) disbursements	<hr/>	<hr/>	<hr/>
	(4,442)	3,711	317
OTHER FINANCING SOURCES:			
Sale of capital assets	6,000	7,882	-
Operating transfers in	-	1,511	-
	<hr/>	<hr/>	<hr/>
Net other financing sources	6,000	9,393	-
NET CHANGE IN CASH BALANCE	1,558	13,104	317
CASH BALANCE, BEGINNING OF YEAR	<hr/>	<hr/>	<hr/>
	(26,348)	106,180	134,256
CASH BALANCE, END OF YEAR	<hr/>	<hr/>	<hr/>
	\$ (24,790)	\$ 119,284	\$ 134,573
CASH BASIS FUND BALANCE:			
Unreserved:			
Capital project funds	<hr/>	<hr/>	<hr/>
	\$ (24,790)	\$ 119,284	\$ 134,573

Schedule 4

<u>Grundy Center Police Reserve</u>	<u>Swimming Pool Reserve</u>	<u>Community Betterment</u>	<u>Housing Rehabilitation</u>	<u>D & D Program</u>	<u>Totals</u>
\$ -	\$ -	\$ 87,855	\$ -	\$ -	\$ 87,855
32	15	1,176	-	-	4,363
-	2,500	-	-	-	2,500
-	-	-	-	-	26,601
<u>3,273</u>	<u>38,053</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,189</u>
<u>3,305</u>	<u>40,568</u>	<u>89,031</u>	<u>-</u>	<u>-</u>	<u>170,508</u>
23,745	-	-	-	-	23,745
-	-	37,000	-	44	37,044
<u>-</u>	<u>10,465</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,483</u>
<u>23,745</u>	<u>10,465</u>	<u>37,000</u>	<u>-</u>	<u>44</u>	<u>109,272</u>
<u>(20,440)</u>	<u>30,103</u>	<u>52,031</u>	<u>-</u>	<u>(44)</u>	<u>61,236</u>
1,950	-	-	-	-	15,832
<u>8,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,511</u>
<u>9,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,343</u>
(10,490)	30,103	52,031	-	(44)	86,579
<u>14,652</u>	<u>(92,060)</u>	<u>99,789</u>	<u>10,562</u>	<u>(147)</u>	<u>246,884</u>
<u>\$ 4,162</u>	<u>\$ (61,957)</u>	<u>\$ 151,820</u>	<u>\$ 10,562</u>	<u>\$ (191)</u>	<u>\$ 333,463</u>
<u>\$ 4,162</u>	<u>\$ (61,957)</u>	<u>\$ 151,820</u>	<u>\$ 10,562</u>	<u>\$ (191)</u>	<u>\$ 333,463</u>

CITY OF GRUNDY CENTER

Schedule of Indebtedness

Year ended June 30, 2010

<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
GO Urban Renewal Aquatic Center	July 15, 2007	4.20%-4.95%	1,500,000
GO Urban Renewal Aquatic Center (TIF)	July 15, 2007	4.20%-4.95%	1,200,000
Total			
Revenue bond:			
Sewer Revenue Bonds	February 26, 2008	3.00%	655,000
Urban renewal tax increment financing (TIF) revenue bonds:			
Urban Renewal TIF revenue bond	March 20, 2000	6.50%	135,000
Urban Renewal TIF revenue bond	August 19, 1996	6.50%	57,000
Urban Renewal TIF revenue bond	June 30, 2004	5.25%	268,000
Total			
Capital lease obligations:			
Capital lease - street sweeper	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>
\$ 33,000	\$ -	\$ 33,000	\$ -	\$ -	\$ -
305,000	-	20,000	285,000	15,530	-
1,420,000	-	85,000	1,335,000	65,617	-
<u>1,200,000</u>	<u>-</u>	<u>-</u>	<u>1,200,000</u>	<u>54,948</u>	<u>-</u>
<u>2,958,000</u>	<u>-</u>	<u>138,000</u>	<u>2,820,000</u>	<u>136,095</u>	<u>-</u>
<u>655,000</u>	<u>-</u>	<u>26,000</u>	<u>629,000</u>	<u>19,650</u>	<u>-</u>
39,759	-	17,414	22,345	2,310	-
5,420	-	5,420	-	269	-
<u>209,314</u>	<u>-</u>	<u>21,679</u>	<u>187,635</u>	<u>10,708</u>	<u>-</u>
<u>254,493</u>	<u>-</u>	<u>44,513</u>	<u>209,980</u>	<u>13,287</u>	<u>-</u>
<u>22,501</u>	<u>-</u>	<u>22,501</u>	<u>-</u>	<u>386</u>	<u>-</u>
<u>\$ 3,889,994</u>	<u>\$ -</u>	<u>\$ 231,014</u>	<u>\$ 3,658,980</u>	<u>\$ 169,418</u>	<u>\$ -</u>

CITY OF GRUNDY CENTER

Bond and Note Maturities

June 30, 2010

General Obligation Loans

Year ending June 30,	Storm Sewer Project Loan Issued June 1, 2002		Urban Renewal Aquatic Center Issued July 15, 2007		Urban Renewal Aquatic Center Issued July 15, 2007	
	Principal	Interest Rates	Principal	Interest Rates	Principal	Interest Rates
	2011	\$ 50,000	4.90%	\$ 100,000	4.95%	\$ -
2012	55,000	5.00%	95,000	4.95%	30,000	4.95%
2013	55,000	5.10%	95,000	4.95%	60,000	4.95%
2014	60,000	5.20%	100,000	4.95%	65,000	4.95%
2015	65,000	5.30%	100,000	4.95%	70,000	4.95%
2016	-	-	110,000	4.55%	70,000	4.55%
2017	-	-	110,000	4.20%	75,000	4.20%
2018	-	-	115,000	4.30%	75,000	4.30%
2019	-	-	120,000	4.35%	80,000	4.35%
2020	-	-	120,000	4.40%	85,000	4.40%
2021	-	-	130,000	4.45%	90,000	4.45%
2022	-	-	140,000	4.50%	90,000	4.50%
2023	-	-	-	-	95,000	4.55%
2024	-	-	-	-	100,000	4.60%
2025	-	-	-	-	105,000	4.65%
2026	-	-	-	-	110,000	4.70%
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
	<u>\$ 285,000</u>		<u>\$ 1,335,000</u>		<u>\$ 1,200,000</u>	

Year ending June 30,	Urban Renewal Tax Increment Issued March 20, 2000		Urban Renewal Tax Increment Issued June 30, 2004		Total
	Principal	Interest Rates	Principal	Interest Rates	
2011	\$ 8,143	6.50%	\$ 22,662	5.25%	\$ 30,805
2012	8,681	6.50%	23,861	5.25%	32,542
2013	5,521	6.50%	25,170	5.25%	30,691
2014	-	-	26,526	5.25%	26,526
2015	-	-	27,956	5.25%	27,956
2016	-	-	29,456	5.25%	29,456
2017	-	-	32,004	5.25%	32,004
	<u>\$ 22,345</u>		<u>\$ 187,635</u>		<u>\$ 209,980</u>

Revenue Bond		
Sewer		
Revenue Bond		
Issued February 26, 2008		
Total	Principal	Interest Rates
\$ 150,000	\$ 27,000	3.00%
180,000	28,000	3.00%
210,000	29,000	3.00%
225,000	29,000	3.00%
235,000	30,000	3.00%
180,000	31,000	3.00%
185,000	32,000	3.00%
190,000	33,000	3.00%
200,000	34,000	3.00%
205,000	35,000	3.00%
220,000	36,000	3.00%
230,000	37,000	3.00%
95,000	38,000	3.00%
100,000	40,000	3.00%
105,000	41,000	3.00%
110,000	42,000	3.00%
-	43,000	3.00%
-	44,000	3.00%
<u>\$ 2,820,000</u>	<u>\$ 629,000</u>	

CITY OF GRUNDY CENTER

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

For the Last Seven Years

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
RECEIPTS:							
Property tax	\$ 986,636	\$ 980,859	\$ 846,224	\$ 878,983	\$ 793,576	\$ 769,143	\$ 712,802
Tax increment financing collections	140,400	176,200	134,272	113,161	98,702	86,642	92,621
Other city tax	182,004	192,884	177,878	181,982	159,582	144,166	139,534
Licenses and permits	6,410	5,802	5,066	5,206	7,485	7,928	6,015
Use of money and property	31,181	36,017	105,295	57,244	55,810	47,291	44,224
Intergovernmental	278,781	398,665	298,492	288,327	516,825	340,691	380,403
Special assessments	3,170	7,550	4,995	25,634	26,378	74,076	80,414
Charges for services	121,056	124,985	60,213	60,217	85,245	65,316	36,762
Miscellaneous	174,633	275,903	342,221	124,300	225,084	117,547	121,837
Total	\$ 1,924,271	\$ 2,198,865	\$ 1,974,656	\$ 1,735,054	\$ 1,968,687	\$ 1,652,800	\$ 1,614,612
DISBURSEMENTS:							
Operating:							
Public safety	\$ 357,985	\$ 314,050	\$ 285,389	\$ 262,614	\$ 284,886	\$ 275,918	\$ 269,802
Public works	478,164	549,860	463,046	451,869	587,681	406,261	449,217
Health and social services	1,820	1,820	4,520	4,020	4,020	4,020	4,020
Culture and recreation	401,086	345,664	303,227	290,401	317,876	310,284	291,491
Community and economic development	68,166	73,997	149,609	181,294	206,680	139,621	185,187
General government	198,727	200,029	185,502	177,220	185,679	167,467	173,380
Debt service	344,954	380,580	173,397	50,740	51,340	51,903	52,413
Capital projects	51,256	392,654	2,983,860	565,344	457,461	445,228	144,579
Total	\$ 1,902,158	\$ 2,258,654	\$ 4,548,550	\$ 1,983,502	\$ 2,095,623	\$ 1,800,702	\$ 1,570,089

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, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated January 29, 2011, 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 opinions 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 was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness and another deficiency we consider to be a significant deficiency.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of Grundy Center's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Responses as item II-B-10 to be a material weakness in internal control over financial reporting.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Responses as item II-A-10 to be a significant deficiency.

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 and Responses.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010, 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 and 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 Gunderson LLP

Cedar Rapids, Iowa
January 29, 2011

CITY OF GRUNDY CENTER
Schedule of Findings and Responses
Year ended June 30, 2010

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 a material weakness.
3. The audit did not disclose any non-compliance which is material to the financial statements.

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS

INTERNAL CONTROL DEFICIENCIES:

II-A-10: 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 someone other than the City Clerk review and scan the monthly bank statements prior to the City Clerk reconciling the statements. We also recommend the City review other 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 and Responses

Year ended June 30, 2010

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

II-B-10: 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 material would be identified and corrected.

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. 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 and Responses
Year Ended June 30, 2010

PART III: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

III-A-2010 Certified Budget - Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the debt service, public safety and business type activities 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-2010 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-2010 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-2010 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Rex VanWert, Mayor, Owner of VanWert Incorporated	Phone parts and supplies	\$ 240

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Mayor does not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year.

III-E-2010 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-2010 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 publish disbursements by fund and a summary of receipts as required.

Response - We will include in minutes as required.

Conclusion - Response accepted.

CITY OF GRUNDY CENTER
Schedule of Findings and Responses
Year Ended June 30, 2010

PART III: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING
(CONTINUED)

III-G-2010 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-2010 Revenue Bonds – No instances of non-compliance with the revenue bond and note resolutions were noted.

III-I-2010 Financial Condition - The City had deficit balances in the Special Revenue, Special Assessments Fund, the Capital Projects, Continuing Projects Fund, the Capital Projects, D & D Program Fund, the Capital Projects, Swimming Pool Reserve Fund and the Special Revenue, TIF Debt Service Fund.

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

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

Conclusion - Response accepted.