GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS, SUPPLEMENTAL
INFORMATION AND SCHEDULE OF FINDINGS

As of and for the year ended June 30, 2010

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

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GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

OFFICIALS
Year Ended June 30, 2010

Name	Title	Term Expires
Kenneth Mutch	Trustee	May 2013
Dennis Brubaker	Trustee	May 2014
Harold Dole	Trustee	May 2011
Jeff Carson	Utilities Manager/Secretary	Indefinite
Mary Harken	A & S Manager/Treasurer	Indefinite

Keith Oltrogge, CPA, P.C.

201 East Main Street
P.O. Box 310
Denver, Iowa 50622
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Independent Auditor's Report

To the Board of Trustees
Grundy Center Municipal Utilities

I have audited the accompanying financial statements of the business type activities and each major fund of the Grundy Center Municipal Utilities as of and for the year ended June 30, 2010, which collectively comprise the Utilities' basic financial statements listed in the table of contents. These financial statements are the responsibility of the Grundy Center Municipal Utilities' management. My responsibility is to express opinions on these financial statements based on my audit. The Municipal Utilities are a component unit of the City of Grundy Center, Iowa. The City is audited separately.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that I 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. I believe that my audit provides a reasonable basis for my 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.

In my opinion, the aforementioned basic financial statements present fairly, in all material respects, the respective cash basis financial position and indebtedness of the business type activities and each major fund of Grundy Center Municipal Utilities at June 30, 2010 and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

MEMBER: Iowa Society of Certified Public Accountants • Minnesota Society of Certified Public Accountants
• American Institute of Certified Accountants • Division for CPA Firms • Private Companies Practice Section

In accordance with *Government Auditing Standards*, I have also issued my report dated October 27, 2010 on my consideration of the Grundy Center Municipal Utilities' internal control over financial reporting and my 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 my 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 read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 7 and 18 through 19 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. I 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 (none of which are presented herein) and expressed unqualified opinions on those cash basis financial statements. The supplemental information included in Schedules 1 through 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in my audit of the aforementioned financial statements and, in my opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

Keith Oltrogge CPA PC

Keith Oltrogge
Certified Public Accountant

October 27, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Grundy Center Municipal Utilities 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 Utilities' financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Revenues of the Utilities' business type activities decreased 1%, or approximately $54,000 from fiscal 2009 to fiscal 2010.
- Disbursements decreased 7%, or approximately $350,000, in fiscal 2010 from fiscal 2009.
- The Utilities' total cash basis net assets increased 6%, or approximately $505,000 from June 30, 2009 to 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 Utilities' financial activities.

The Enterprise Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Enterprise Fund financial statements report the Utilities' operations in detail.

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 Utilities' budget for the year.

Other Supplementary Information provides detailed information about each Enterprise Fund.

BASIS OF ACCOUNTING

The Utilities maintain their financial records on the basis of cash receipts and disbursements and the financial statements of the Utilities 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 UTILITIES' FINANCIAL ACTIVITIES

Proprietary funds account for the Utilities' Enterprise Funds. Enterprise Funds are used to report business type activities. The Utilities maintain seven Enterprise Funds to provide separate information for the water, sewer and communications funds.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The Utilities' cash balance increased from a year ago, increasing from $7.591 million to $8.097 million. The analysis that follows focuses on the changes in cash balances.

Changes in Cash Basis Net Assets

	Year Ended June 30,		
	2010	2009	2008
Receipts and Transfers:			
Program Receipts:			
Charges for service	$ 4,354,264	$ 4,284,193	$ 4,300,174
General receipts:			
Unrestricted investment earnings	146,767	198,891	310,868
Other general receipts	215,997	287,959	350,432
Total Receipts	$ 4,717,028	$ 4,771,043	$ 4,961,474
Disbursements	$ 4,211,159	$ 4,566,690	$ 4,462,499
Increase in cash basis net assets	$ 505,869	$ 204,353	$ 498,975
Cash basis net assets beginning of year	7,591,174	7,386,821	6,887,846
Cash Basis Net Assets End of Year	$ 8,097,043	$ 7,591,174	$ 7,386,821

The Utilities' total receipts decreased 1%, or approximately $54,000. The total cost of all programs and services decreased approximately $350,000, or 7% with no new programs or services added this year. The decrease in receipts was the result of a decrease in investment income. The decrease in disbursements was primarily due to delayed equipment and improvement expenditures.

INDIVIDUAL MAJOR FUND ANALYSIS

The Operating and Maintenance Fund cash balance increased $219,272 to $3,206,327, due to an increase in the use of its services.

The Improvement Fund cash balance increased $99,391 to $2,564,786 due to the $300,000 transfer from the Operating and Maintenance Fund.

The Power Source Fund cash balance increased $16,951 from interest earned during fiscal year 2010. The Power Source Fund was established to provide funding future power supply needs to the City.

The Consumer's Deposit Fund cash balance decreased from $38,225 as of June 30, 2009 to $38,214 as of June 30, 2010 due to consumer's deposit refunds.

The Reserve Fund cash balance increased from $231,053 to $231,515 during fiscal year 2010 due to interest earned.

The Sinking Fund is used to record principal and interest payments on long-term debt. During fiscal year 2010, $315,043 was transferred into the fund and then paid out. There is no cash balance maintained in the Sinking Fund.

The Communications Fund cash balance increased $236,338 during fiscal year 2010 primarily due to reduced internet, telephone and cable charges and payroll expenses.

BUDGETARY HIGHLIGHTS

The Utilities' receipts were $891,928 more than budgeted. This was primarily due to the Utility receiving more in charges for service than anticipated.

Total disbursements were $3,666,191 less than budgeted. This was primarily due to the Utility delaying equipment and improvement purchases.

DEBT ADMINISTRATION

At June 30, 2010, the Utilities had $965,000 in long-term debt, compared to approximately $1,215,000 last year, as shown below.

	Outstanding Debt at Year-End June 30,			
	2010	2009	2008	2007
Revenue notes	$965,000	$1,215,000	$1,450,000	$1,680,000

Debt decreased as a result of regular payments on the notes.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Grundy Center Municipal Utilities' appointed officials and management considered many factors when setting the fiscal year 2011 budget and fees charged for various services. One of those factors is the economy.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. Inflation has been modest here due, in part, to the slowing of the residential housing market and increases in energy prices in 2010.

These indicators were taken into account when adopting the budget for fiscal year 2011. Receipts are expected to decrease approximately 24% and disbursements are expected to remain steady. Increased wage and cost-of-living adjustments and increases in operations and maintenance cost represent the largest increases of disbursements. The Utility has added no new services to the 2011 budget.

If these estimates are realized, the Utilities' budgeted cash balance is expected to decrease approximately $3,800,000 by the close of 2011.

Technology continues to expand and current technology becomes outdated presenting an on-going challenge to maintain up to date technology at a reasonable cost.

CONTACTING THE UTILITIES' FINANCIAL MANAGEMENT

This financial report is designed to provide our customers and creditors with a general overview of the Utilities' finances and to show the Utilities' accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mary Harken, 706 6th Street, Box 307, Grundy Center IA 50638.

BASIC FINANCIAL STATEMENTS

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

STATEMENT OF ACTIVITIES AND NET ASSETS – CASH BASIS
Year Ended June 30, 2010

	Disbursements	Program Receipts Charges Services
Functions/Programs:		
Business Type Activities:		
Operating and Maintenance Account	$ 3,061,649	$ 3,412,670
Sinking Fund Account	315,043	-
Improvement Account	400	-
Power Source Account	-	-
Consumers' Deposit Account	3,454	-
Reserve Account	-	-
Communications Account	830,613	941,594
Total	$ 4,211,159	$ 4,354,264

General Receipts:
Unrestricted interest on investments
Miscellaneous

Total general receipts

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:
Expendable:
Debt service
Other purposes
Unrestricted

Total Cash Basis Net Assets

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets Business Type Activities
$ 351,021
-315,043
-400
-
-3,454
-
110,981
$ 143,105
$ 146,747
215,997
$ 362,764
$ 505,869
7,591,174
$ 8,097,043
$ 965,000
38,214
7,093,829
$ 8,097,043

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES – CASH BASIS
PROPRIETARY FUNDS
ENTERPRISE FUNDS
As of and For the Year Ended June 30, 2010

	O & M	Sinking	Improvement
Operating Receipts:			
Charges for service	$ 3,412,670	$ -	$ -
Miscellaneous	95,529	-	-
Total Operating Receipts	$ 3,508,199	$ -	$ -
Operating Disbursements:			
Business type activities	$ 2,845,908	$ -	$ 400
Debt service	-	315,043	-
Capital outlay	215,741	-	-
Total Disbursements	$ 3,061,649	$ 315,043	$ 400
Excess (deficiency) of operating receipts over (under) operating disbursements	$ 446,550	$ -315,043	$ -400
Non-Operating Receipts:			
Transfers in	$ -	$ 315,043	$ 300,000
Interest on investments	77,303	-	43,719
Total Non-Operating Receipts	$ 77,303	$ 315,043	$ 343,719
Excess of receipts over disbursements	$ 523,853	$ -	$ 343,319
Operating transfers out	-304,581	-	-243,928
Net change in cash balances	$ 219,272	$ -	$ 99,391
Cash balances beginning of year	2,987,055	-	2,465,395
Cash Balances End of Year	$ 3,206,327	$ -	$ 2,564,786
Cash Basis Fund Balances			
Reserved for consumers' deposits	$ -	$ -	$ -
Reserved for debt service	-	-	665,000
Unreserved	3,206,327	-	1,899,786
Total Cash Basis Fund Balances	$ 3,206,327	$ -	$ 2,564,786

See notes to financial statements.

Power Source	Consumers' Deposits	Reserve	Communi-cations	Total
$ -	$ -	$ -	$ 941,594	$ 4,354,264
-	3,115	-	117,353	215,997
$ -	$ 3,115	$ -	$ 1,058,947	$ 4,570,261
$ -	$ 3,454	$ -	$ 821,470	$ 3,671,232
-	-	-	-	315,043
-	-	-	9,143	224,884
$ -	$ 3,454	$ -	$ 830,613	$ 4,211,159
$ -	$ -339	$ -	$ 228,334	$ 359,102
$ -	$ -	$ -	$ 4,581	$ 619,624
16,951	328	462	8,004	146,767
$ 16,951	$ 328	$ 462	$ 12,585	$ 766,391
$ 16,951	$ -11	$ 462	$ 240,919	$ 1,125,493
-	-	-	-71,115	-619,624
$ 16,951	$ -11	$ 462	$ 169,804	$ 505,869
829,268	38,225	231,053	1,040,178	7,591,174
$ 846,219	$ 38,214	$ 231,515	$ 1,209,982	$ 8,097,043
$ -	$ 38,214	$ -	$ -	$ 38,214
-	-	-	300,000	965,000
846,219	-	231,515	909,982	7,093,829
$ 846,219	$ 38,214	$ 231,515	$ 1,209,982	$ 8,097,043

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Grundy Center Municipal Utilities is a city municipal utility for the City of Grundy Center, Iowa. It has a separate governing body, the Board of Trustees, who are appointed for staggered six-year terms by the Mayor and approved by the City Council. The Department maintains its own system of books, records and accounts apart from the City. The City is audited separately.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the Utilities. For the most part, the effect of inter-fund activity has been removed from this statement. Business type activities, which rely to a significant extent on fees and charges for services are reported separately.

The Statement of Activities and Net Assets presents the Utilities' non-fiduciary net assets. Net assets are reported in two categories:

Expendable 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. Funds set aside for debt service and consumers' deposits are classified as expendable restricted.

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. Unrestricted interest and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements-Separate financial statements are provided for the proprietary funds. Major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Department reports the following major proprietary funds:

Operating and Maintenance Account – The Operating and Maintenance Account is the general operating account. All user fees and other receipts that are not allocated to some other account are recorded in this account. Items paid from this account include general operating expenses, fixed charges and capital improvement costs that are not paid through other accounts.

Sinking Fund Account – The Sinking Fund Account records the payment of interest and principal on the Department's long-term debt.

Improvement Account – This account is for purchases of major capital improvements.

Power Source Account – The Power Source Account is established to accumulate funds to secure an interest in available power from another supply source for future needs of the City.

Consumers' Deposit Account – The Consumers' Deposit Account is utilized to account for consumer deposits received and refunded.

Reserve Account – The purpose of this account is to retain cash reserves for debt service. It is a backup to the Sinking Fund Account, thus ensuring payment of long-term debt.

Communications Account – The Department offers internet, cable TV and telecommunications service to utility customers that desire it. This account was established to record user fees received and operating expenses and capital improvements costs incurred.

C. Measurement Focus and Basis of Accounting

The Grundy Center Municipal Utilities maintains its financial records on the basis of cash receipts and disbursements, and the financial statements of the Department 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 the financial position and the results of operations of the Enterprise Fund 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

NOTE 2 – CASH AND POOLED INVESTMENTS

The Department'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 Department 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 Board of Trustees; 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.

The Department's investments at June 30, 2010 are as follows:

Certificates of Deposit	Date Matures	Cost	Fair Value
Grundy National Bank	6-10-11	$ 600,000	$ 600,000
Grundy National Bank	7-16-10	500,000	500,000
Grundy National Bank	9-19-11	500,000	500,000
Grundy National Bank	3-19-11	500,000	500,000
Grundy National Bank	9-17-10	500,000	500,000
Grundy National Bank	9-17-10	500,000	500,000
Grundy National Bank	1-14-11	500,000	500,000
Grundy National Bank	7-16-10	500,000	500,000
Grundy National Bank	7-1-10	500,000	500,000
Grundy National Bank	7-1-10	500,000	500,000
		$ 5,100,000	$ 5,100,000

Interest rates on the above CDs range from 1.19% to 4.01%

NOTE 2 – CASH AND POOLED INVESTMENTS (continued)

Securities	Date Matures	Carrying Amount	Fair Value
North Iowa Municipal Electric Cooperative	Indefinite	$ 120,000	$ 120,000

In addition, the Department had investments in the Iowa Public Agency Investment Trust, which are valued at an amortized cost of $325,317 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The Department'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) in instruments that mature within 397 days. The Department requests bids before it makes an investment.

Credit risk – The Department's investment in the Iowa Public Agency Investment Trust is un-rated. The Department's investment in the North Iowa Municipal Electric Cooperative is un-rated.

NOTE 3 – BONDS AND NOTES PAYABLE

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

	Revenue Notes	
Year Ending June 30,	Principal	Interest
2011	$ 265,000	$ 52,092
2012	275,000	38,215
2013	295,000	23,695
2014	65,000	7,963
2015	65,000	3,998
Total	$ 965,000	$ 125,963

The Electric Revenue Capital Loan Notes and the Telecommunications Revenue Capital Loan Notes are not general obligation notes, nor are they payable in any manner by taxation. They are payable solely and only from the net earnings of the utilities' receipts.

The Electric Revenue Capital Loan Notes are composed of 511 individual notes of $5,000 each. Interest payments are made semi-annually and principal payments are made yearly.

The Telecommunications Revenue Capital Loan Notes are composed of 140 individual notes of $5,000 each. Interest payments are made semi-annually and principal payments are made yearly.

NOTE 3 – BONDS AND NOTES PAYABLE (continued)

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

a. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.

b. Transfers shall be made to a sinking account within the Enterprise Funds for the purpose of making the note principal and interest payments when due.

c. The City of Grundy Center is not liable by reason of the failure of the net revenues to be sufficient for the payment of the notes.

NOTE 4 – OTHER OBLIGATIONS

The Communications Fund owes the Operating and Maintenance Fund $600,000. Interest of $2,954.81 per month is being paid. The interest rate is 5%. There was no principal paid during the current fiscal year.

NOTE 5 – PENSION AND RETIREMENT BENEFITS

The Department 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 IA 50306-9117.

Plan members are required to contribute 4.30% of their annual salary, and the Department is required to contribute 6.65% of annual covered payroll. Contribution requirements are established by State statute. The Department's contribution to IPERS for the years ended June 30, 2010 and 2009 were $ 27,893 and $29,116, respectively, equal to the required contributions for each year.

NOTE 6 – COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Department until used or paid. The Department's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2010, primarily relating to the operating and management account, is as follows:

Type of Benefit	Amount
Vacation	$ 15,870
Sick leave	7,389
Total	$ 23,259

This liability has been computed based on rates of pay as of June 30, 2010.

NOTE 7 – OTHER INVESTMENTS

The Department is a member of the North Iowa Municipal Electric Cooperative Association (NIMECA), which uses Corn Belt Power Cooperative of Humboldt, Iowa as a power supply source. NIMECA's desire is to obtain long-term transmission and generation of electric power from a common transmission system to benefit the member utilities. The Department has the following investments with NIMECA and Corn Belt:

a. In 1983, NIMECA required a cash member advance from the Department in the amount of $120,000. The cash advance earns interest and surplus and credits from NIMECA. During the year, the Department's member advance investment account was closed and added to the Department's production and transmission capital improvement investment account.

b. In 1991, the Department entered into an agreement for the "lease/purchase" from Corn Belt of an interest in electrical generation and transmission facilities. On July 10, 1991, $1,634,480 was paid to Corn Belt for a .3333% interest in the Neal #4 generating plant and a .4% interest in the Lehigh-Webster transmission facilities. The lease ended June 30, 2007. A new lease was signed August 25, 2010.

   Production and transmission capital improvement funds have been established through NIMECA for improvements and expansion of the facilities. The Department paid $88,408 into these funds as part of its cash disbursements for purchased power during the current year.

   The Department's share of the funds accrued interest earnings for the current year amounted to $19,000. This accrual is not reflected in the current year's cash basis receipts.

   The balance in the production and transmission capital improvement funds at June 30, 2010 is $1,247,995.

NOTE 7 – OTHER INVESTMENTS (continued)

c. The Department also has accumulated deferred patronage dividends of $43,999 through its participation with NIMECA and Corn Belt. These accrued deferred patronage dividends are not reflected in the current year's cash basis receipts. During the current fiscal year, Corn Belt paid no deferred patronage dividends to the Department.

NOTE 8 – RISK MANAGEMENT

The Department 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 Department 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.

NOTE 9 – RELATED PARTY TRANSACTIONS

The City of Grundy Center pays the Department monthly fees for electricity and telephone. During the current fiscal year, the City of Grundy Center paid $95,326.

NOTE 10 – CONTINGENCIES

Accounts receivable totaling $158,409 from the Department utility customers is currently due. $88,276, or 56%, of that total is over ninety days past due. The Department wrote off $61,023 of uncollectible accounts during the current fiscal year.

NOTE 11 – INTERFUND TRANSFERS

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

Transfer To	Transfer From	Amount
Sinking Fund	Improvement Fund	$ 243,928
Sinking Fund	Communications Fund	71,115
		$ 315,043
O & M Fund	Communications Fund	$ 4,581
O & M Fund	Improvement Fund	300,000
		$ 304,581
Total		$ 619,624

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

NOTE 12 – COMMITMENTS

The Department committed to give the Grundy Center Development Corporation $25,000 per year for the next three years during year 2007. The last installment was paid during the current fiscal year.

NOTE 13 – NOTE RECEIVABLE

On November 13, 2009, the Department entered into an agreement with the Grundy Center Development Corporation for a $100,000 interest free loan for the development of a new housing addition to the City of Grundy Center. The loan will be repaid at the rate of $5,000 per lot as they are sold. The Department received $10,000 from lot sales during the current fiscal year.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent events were evaluated through October 27, 2010, which is the date the financial statements were available to be issued.

NOTE 15 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Department implemented GASB Statement No 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions during the year ended June 30, 2010.

Plan Description – The Development provides full medical insurance benefits for the retired Public Works Director until such time as he qualifies for Medicare coverage.

Funding Policy – The Department currently finances the plan on a pay-as-you-go basis. The liability for this one former employee is not considered material to the overall financial position of the utility.

REQUIRED SUPPLEMENTARY INFORMATION

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

COMPARISON OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES
ACTUAL TO BUDGET – ENTERPRISE FUND
Year Ended June 30, 2010

	Actual	Budget	Variance Favorable (Unfavorable)	Net as % of Budget
Receipts:				
Charges for service	$ 4,354,264	$ 3,500,000	$ 854,264	24%
Other income	362,764	325,100	37,664	12%
Total Receipts	$ 4,717,028	$ 3,825,100	$ 891,928	23%
Disbursements:				
Electric and Telecommunications	$ 4,211,159	$ 7,877,350	$ 3,666,191	46%
Excess of receipts over disbursements	$ 505,869			
Balance beginning of year	7,591,174			
Balance End of Year	$ 8,097,043			

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2010

In accordance with the Code of Iowa, the Grundy Center City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. The budget certified by the City of Grundy Center includes an amount budgeted for Grundy Center Municipal Utilities.

OTHER SUPPLEMENTAL INFORMATION

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
OPERATING AND MAINTENANCE ACCOUNT
Years Ended June 30, 2010 and 2009

	2010	2009
Receipts:		
Charges for Service:		
Sale of Electricity:		
Residential	$ 1,725,383	$ 1,659,897
Commercial	658,923	757,904
Total Electrical Receipts	$ 2,384,306	$ 2,417,801
Miscellaneous:		
Water collection	$ 524,991	$ 504,390
Garbage collection	196,574	188,519
Sewer rental collection	191,031	190,695
Sales tax	115,768	114,824
Interest received	77,303	94,987
Miscellaneous receipts	95,529	53,448
Total Miscellaneous Receipts	$ 1,201,196	$ 1,146,863
Total Receipts	$ 3,585,502	$ 3,564,664
Collections Transferred to City:		
Water	$ 524,993	$ 504,366
Garbage	196,574	188,519
Sewer rental	191,031	190,713
Meter rent	-	1,631
Sales tax	41,159	39,910
Local option tax	22,510	19,709
Sales tax paid to State	69,488	48,250
	$ 1,045,755	$ 993,098
Net Receipts From Operations	$ 2,539,747	$ 2,571,566
Disbursements:		
Electric:		
Administration:		
Salaries:		
Superintendent	$ 60,120	$ 85,595
Trustees' fees	1,800	1,800
	$ 61,920	$ 87,395
Employee Benefits:		
FICA/Medicare	$ 32,356	$ 27,331
IPERS	27,893	22,656

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
OPERATING AND MAINTENANCE ACCOUNT
Years Ended June 30, 2010 and 2009

	2010	2009
Disbursements: (continued)		
Electric: (continued)		
Administration: (continued)		
Employee Benefits: (continued)		
Group insurance and claims	$ 168,271	$ 157,045
Year's benefit	1,465	1,720
Uniform expense	2,739	2,894
Education benefit	375	-
	$ 233,099	$ 211,646
Regulatory Commission:		
Fees and supplies	$ 4,268	$ 3,742
PCB	5,133	4,943
	$ 9,401	$ 8,685
Vehicle Expense:		
Gasoline and oil	$ 8,047	$ 9,524
Repairs and supplies	26,549	23,551
	$ 34,596	$ 33,075
Other Expenditures:		
Insurance	$ 44,947	$ 43,031
Telephone	3,923	6,396
Legal fees	3,678	895
Audit fee	2,375	2,075
Travel and training	4,021	3,902
Use tax	5,206	6,209
Dues	13,386	4,657
Publications	853	969
Investment and banking fees	557	455
Office maintenance and supplies	1,782	4,261
Miscellaneous	21,693	37,643
	$ 102,421	$ 110,493
Capital Outlay:		
Structure and improvements	$ 691	$ 128
Office equipment	6,338	7,202
Tools, shop and garage equipment	9,640	5,577
Miscellaneous equipment	29,726	29,912
Transportation equipment	222	467
	$ 46,617	$ 43,286
Total Administration	$ 488,054	$ 494,580
Purchased power	$ 1,004,922	$ 1,158,995

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
OPERATING AND MAINTENANCE ACCOUNT
Years Ended June 30, 2010 and 2009

	2010	2009
Disbursements: (continued)		
Electric: (continued)		
Generation:		
Salaries:		
Operators	$ 423	$ 2,675
Plant maintenance	41,754	37,659
	$ 42,177	$ 40,334
Other Expenditures:		
Plant maintenance – material	$ 2,949	$ 1,738
Fuel and oil	11,239	26,254
Supplies	7,393	34,652
	$ 21,581	$ 62,644
Total Generation	$ 63,758	$ 102,978
Distribution:		
Line labor	$ 169,571	$ 168,617
Other Expenditures:		
Supplies	$ 461	$ 703
Street lighting and signal maintenance	2,401	2,233
	$ 2,862	$ 2,936
Consumer Accounts Expense:		
Meter reading-labor	$ 7,385	$ 8,785
Accounting and collection-labor	79,628	81,376
Supplies and postage	24,121	21,083
Returned checks	4,386	5,755
Miscellaneous	2,083	854
	$ 117,603	$ 117,853
Capital Outlay:		
Overhead conductors and devices	$ 13,206	$ 13,899
Underground conductors and conduit	22,865	40,499
Transformers	14,716	14,114
Distribution structures	14,000	6,898
Meters	14,464	9,540
Street lights	3,661	1,943
Special projects	25,452	203,382
Diesel engines	60,760	-
	$ 169,124	$ 290,275

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
OPERATING AND MAINTENANCE ACCOUNT
Years Ended June 30, 2010 and 2009

	2010	2009
Disbursements: (continued)		
Total Distribution	$ 459,160	$ 579,681
Total Expenses	$ 2,015,894	$ 2,336,234
Excess of receipts over disbursements	$ 523,853	$ 235,332
Other Financing Sources (Uses):		
Transfer out	$ -304,581	$ -275,074
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	$ 219,272	$ -39,742
Balance beginning of year	2,987,055	3,026,797
Balance End of Year	$ 3,206,327	$ 2,987,055

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
SINKING FUND ACCOUNT
Years Ended June 30, 2010 and 2009

	2010	2009
Receipts	$ -	$ -
Disbursements:		
Electric:		
Electric Revenue Capital Loan Notes:		
Principal payments	$ 200,000	$ 190,000
Interest payments	43,928	53,238
	$ 243,928	$ 243,238
Telecommunications:		
Telecommunications Revenue Capital Loan Notes:		
Principal payments	$ 50,000	$ 45,000
Interest payments	21,115	23,748
	$ 71,115	$ 68,748
Total Disbursements	$ 315,043	$ 311,986
Excess (deficiency) of receipts over (under) disbursements	$ -315,043	$ -311,986
Other Financing Sources (Uses):		
Transfer from Improvement Fund Account	$ 243,928	$ 243,238
Transfer from Communications Fund Account	71,115	68,748
	$ 315,043	$ 311,986
Excess of receipts and other financing sources over disbursements and other financing uses	$ -	$ -
Balance beginning of year	-	-
Balance End of Year	$ -	$ -

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
IMPROVEMENT ACCOUNT
Years Ended June 30, 2010 and 2009

	2010	2009
Receipts:		
Interest	$ 43,719	$ 53,570
Disbursements:		
Electric	$ 400	$ 400
Excess of receipts over disbursements	$ 43,319	$ 53,170
Other Financing Sources (Uses):		
Transfer to Sinking Fund Account	$ -243,928	$ -243,238
Transfer from O & M Fund Account	300,000	300,000
	$ 56,072	$ 56,762
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	$ 99,391	$ 109,932
Balance beginning of year	2,465,395	2,355,463
Balance End of Year	$ 2,564,786	$ 2,465,395

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
POWER SOURCE ACCOUNT
Years Ended June 30, 2010 and 2009

	2010	2009
Receipts:		
Interest	$ 16,951	$ 30,143
Disbursements:		
Electric	$ -	$ -
Capital Outlay		
Special Projects	-	18,129
Total Disbursements	$ -	$ 18,129
Excess (deficiency) of receipts over (under) disbursements	$ 16,951	$ 12,014
Balance beginning of year	829,268	817,254
Balance End of Year	$ 846,219	$ 829,268

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
CONSUMERS' DEPOSIT ACCOUNT
Years Ended June 30, 2010 and 2009

	2010	2009
Receipts:		
Consumers' deposits	$ 3,115	$ 3,160
Interest	328	359
Miscellaneous	-	279
Total Receipts	$ 3,443	$ 3,798
Disbursements:		
Electric:		
Consumers' deposit refunds	$ 3,430	$ 3,102
Interest paid on consumers' deposits	24	36
Office supplies	-	419
Total Disbursements	$ 3,454	$ 3,557
Excess of receipts over disbursements	$ -11	$ 241
Balance beginning of year	38,225	37,984
Balance End of Year	$ 38,214	$ 38,225

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
RESERVE ACCOUNT
Years Ended June 30, 2010 and 2009

	2010	2009
Receipts:		
Interest	$ 462	$ 2,041
Disbursements:		
Electric	$ -	$ -
Excess of receipts over disbursements	$ 462	$ 2,041
Balance beginning of year	231,053	229,012
Balance End of Year	$ 231,515	$ 231,053

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
COMMUNICATIONS ACCOUNT
Years Ended June 30, 2010 and 2009

	2010	2009
Receipts:		
Miscellaneous	$ 117,353	$ 211,956
Interest	8,004	17,791
Internet fees	321,446	285,631
Cable TV fees	319,716	291,900
Telephone fees	282,138	290,433
Tax	18,294	19,116
Total Receipts	$ 1,066,951	$ 1,116,827
Disbursements:		
Telecommunications:		
Internet/phone/cable charges	$ 574,783	$ 630,150
Wages	65,076	101,724
Supplies	68,701	46,023
Franchise fee	8,757	8,167
Interest paid	28,750	29,687
Telephone	2,792	3,355
Payroll taxes and benefits	9,306	13,901
Equipment	9,143	16,755
Miscellaneous	7,073	741
Sales and other taxes paid	18,776	19,571
E911 fees	11,772	12,082
Casual labor	-	163
Dues	2,190	2,404
Audit	1,950	1,650
Trustees' compensation	1,800	755
Professional fees	9,479	1,800
Insurance	4,044	4,211
Repairs and maintenance	2,448	1,763
Travel	3,773	8,384
Total Disbursements	$ 830,613	$ 903,286
Excess of receipts over disbursements	$ 236,338	$ 213,541

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
COMMUNICATIONS ACCOUNT
Years Ended June 30, 2010 and 2009

	2010	2009
Other Financing Sources (Uses):		
Transfer from O & M Fund Account	$ 4,581	$ 74
Transfer to Sinking Fund Account	-71,115	-68,748
Transfer to O & M Fund Account	-	-25,000
Total Other Financing Sources (Uses)	$ -66,534	$ -93,674
Excess of receipts and other financing sources over disbursements and other financing uses	$ 169,804	$ 119,867
Balance beginning of year	1,040,178	920,311
Balance End of Year	$ 1,209,982	$ 1,040,178

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF INDEBTEDNESS
Year Ended June 30, 2010

Obligation
Electric Revenue Capital Loan Notes:

Date of Issue	July 1, 1998
Interest Rate	4.20-5.15%
Amount originally issued	$ 2,555,000
Balance beginning of year	$ 865,000
Issued during year	-
Redeemed during year	-200,000
Balance End of Year	$ 665,000
Interest Paid	$ 43,928
Interest Due and Unpaid	$ -

Telecommunications Revenue Capital Loan Notes:

Date of Issue	Mar 1, 2000
Interest rate	5.00-6.15%
Amount originally issued	$ 700,000
Balance beginning of year	$ 350,000
Issued during year	-
Redeemed during year	-50,000
Balance End of Year	$ 300,000
Interest Paid	$ 21,115
Interest Due and Unpaid	$ -

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

BOND AND NOTE MATURITIES
June 30, 2010

Revenue Notes
Electric
Issued July 1, 1998

Year Ending June 30,	Interest Rates	Amount
2011	5.05%	$ 210,000
2012	5.10%	220,000
2013	5.15%	235,000
Total		$ 665,000

Revenue Notes
Telecommunications
Issued March 1, 2000

Year Ending June 30,	Interest Rates	Amount
2011	5.95%	$ 55,000
2012	6.00%	55,000
2013	6.05%	60,000
2014	6.10%	65,000
2015	6.15%	65,000
Total		$ 300,000

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION – CASH BASIS
PROPRIETARY FUNDS – ENTERPRISE FUNDS

For the Last Seven Years

	2010	2009	2008	2007
Receipts:				
Interest	$ 146,767	$ 198,891	$ 310,868	$ 344,002
Transfers in	619,624	636,986	393,638	653,710
Charges for service	4,354,264	4,284,193	4,300,174	3,089,239
Miscellaneous	215,997	287,959	350,432	320,922
Total	$ 5,336,652	$ 5,408,029	$ 5,355,112	$ 4,407,873
Disbursements:				
Operating:				
Business type activities	$ 4,830,783	$ 5,203,676	$ 4,856,137	$ 4,029,471
Total	$ 4,830,783	$ 5,203,676	$ 4,856,137	$ 4,029,471

See accompanying independent auditor's report.

2006	2005	2004
$ 202,617	$ 129,291	$ 92,107
314,592	319,271	813,226
3,237,371	2,848,242	2,763,910
377,161	582,723	1,183,392
$ 4,131,741	$ 3,879,527	$ 4,852,635
$ 3,521,320	$ 3,530,492	$ 3,660,283
$ 3,521,320	$ 3,530,492	$ 3,660,283

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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

Grundy Center Municipal Utilities
Grundy Center, Iowa

To the Board of Trustees:

I have audited the accompanying financial statements of the business type activities and each major fund of Grundy Center Municipal Utilities, as of and for the year ended June 30, 2010, which collectively comprise the Utilities' basic financial statements listed in the table of contents, and have issued my report thereon dated October 27, 2010. My report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. I conducted my 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 of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit I considered Grundy Center Municipal Utilities' internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grundy Center Municipal Utilities' internal control. Accordingly, I do not express an opinion on the effectiveness of Grundy Center Municipal Utilities' internal control.

My 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 significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses.

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 Grundy Center Municipal Utilities' financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in Part I of the accompanying Schedule of Findings, as items 10-I-A and 10-I-B to be material weaknesses.

MEMBER: Iowa Society of Certified Public Accountants • Minnesota Society of Certified Public Accountants
• American Institute of Certified Accountants • Division for CPA Firms • Private Companies Practice Section

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Department's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Department. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Grundy Center Municipal Utilities' responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the Department's responses, I did not audit Grundy Center Municipal Utilities' responses and, accordingly, I 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 customers of the Grundy Center Municipal Utilities and other parties to whom the Grundy Center Municipal Utilities may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the Department during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Keith Oltrogge, CPA PC

Keith Oltrogge
Certified Public Accountant

October 27, 2010

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF FINDINGS
Year Ended June 30, 2010

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

MATERIAL WEAKNESSES:

10-I-A Segregation of Duties-One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation-I realize that with a limited number of office employees, segregation of duties is difficult. However, the Department should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response-We will continue to monitor this.

Conclusion-Response acknowledged. The Department should continue to segregate duties to the extent possible with existing personnel and utilize the Board of Trustees to provide additional control through review of financial transactions and reports.

10-I-B Preparation of Full Disclosure Financial Statements-Internal control over financial reporting include actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by an other comprehensive basis of accounting. The Department does not have internal resources to prepare the full-disclosure financial statements required by an other comprehensive basis of accounting for external reporting. While this circumstance is not uncommon for most small governmental and nonprofit entities, it is the responsibility of management and those charged with governance, to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

Recommendation-I recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles and prepare full disclosure financial statements for external reporting purposes is difficult. However, I recommend that the Department continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than rely on external assistance.

Response-We recognize our limitations, however it is not fiscally responsible to add additional staff at this time.

Conclusion-Response acknowledged.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF FINDINGS
Year Ended June 30, 2010

Part II: Other Findings Related to Statutory Reporting:

10-II-A Certified Budget-Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted.

10-II-B Questionable Disbursements-I noted no disbursements that would not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

10-II-C Travel Expense-No disbursements of Department money for travel expenses of spouses of Department officials were noted.

10-II-D Business Transactions-No business transactions between the Department and Department officials or employees are reported.

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

10-II-F Board Minutes-No transactions were found that I believe should have been approved in the Board minutes but were not.

Finding-The minutes did not include the purpose of the expenditure, a total for the expenditures from each fund, and a summary of all receipts. Also, annual gross salaries were not published in accordance with an Attorney General's opinion dated April 12, 1978.

The Board went into closed session on July 21, 2009 without voting to go into closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open-meetings law.

Recommendation-The Department should comply with Chapter 21 of the Code of Iowa and should publish minutes and salaries as required.

Response-We will comply with the Code requirements for closed sessions. We will publish minutes and salaries as required.

Conclusion-Response accepted.

Part II: Other Findings Related to Statutory Reporting (continued):

10-II-G Deposits and Investments-No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Department's investment policy were noted.

10-II-H Revenue Bonds and Notes-The Department has complied with the revenue bond and note resolutions.

10-II-I Telecommunication Services – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.