

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

June 30, 2011

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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, 2011, 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 \$5,485,316 and \$4,517,900, respectively. If the component unit had been included, there would have been an excess of disbursements and other financing uses over receipts and other financing sources of \$661,377, and the ending proprietary funds cash balance would have been \$9,321,936.

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, 2011, 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, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2012 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 12 and 38 through 40 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grundy Center's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (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. 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.



Cedar Rapids, Iowa
February 21, 2012

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, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 Financial Highlights

Receipts of the City's governmental activities increased 10.50% or approximately \$202,000 from fiscal 2010 to fiscal 2011. Property Tax Collections increased approximately \$68,000; Tax Increment Financing collections increased by approximately \$25,000; and Miscellaneous Revenues increased approximately \$80,000.

Disbursements for Governmental Activities increased 16.2% or approximately \$307,500 in fiscal 2011 from fiscal 2010. There was an increase of approximately \$367,000 in Capital Projects for the year due to storm sewer and street improvement projects; Public Works expenditures decreased \$57,515 due to deferred streets maintenance while projects were undertaken for the proprietary funds.

During the year, new debt in the amount of \$670,000 was added which was partially used to refund outstanding debt in the amount of \$285,000. In addition, an additional \$115,000 was redeemed during the year. Interest costs during the year totaled \$140,554.

The City's Cash Basis Fund Balance for Governmental Funds increased 91.5% or approximately \$594,500 from June 30, 2010 to June 30, 2011. The increase in net assets can be attributed to increases in all fund categories, but especially the capital projects funds which increased over \$270,000.

The City's proprietary funds saw an increase in revenues of \$111,000 and expenditures of \$142,000. The increase in expenditures was mainly due to the installation of a water main to the north business park. Overall, the proprietary funds had an ending fund balance of \$1,886,270.

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 - Cash Basis. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

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

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

Required Supplementary Information provides comparative information about the actual activities as compared to the budget.

Other Supplementary Information provides detailed information about the non-major Governmental, Special Revenue, Capital Projects and Enterprise Funds. Also provided are a Statement of Indebtedness and multi-year comparative data.

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 accounting principles generally accepted in the United States of America.

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 - Cash Basis reports information that helps answer this question.

The Statement of Activities and Net Assets - Cash Basis presents the City's cash basis net assets. Over time, increases or decreases in the City's cash basis 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 - Cash Basis 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 stormwater collection system, the sanitation department, and ambulance service. These are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This year the City undertook several construction projects. Some were contracted and some were performed by its employees. This necessitated issuing General Obligation bonds to fund the projects. It is the plan of the City to pay for these bonds with a combination of Tax Increment Financing and revenues from the new stormwater utility.

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 \$649,945 to \$1,244,466. The analysis that follows focuses on the changes in cash balances for governmental activities. The increase to the General Fund was due to departments spending less than anticipated while the increases to the Road Use Tax Fund and All Other Governmental Funds related to the various stages of the City's capital projects.

	<u>Special Revenue</u>			<u>All Other Governmental Funds</u>	<u>Totals</u>
	<u>General Fund</u>	<u>Road Use Tax</u>	<u>Special Revenue</u>		
Balance, June 30, 2010	\$ 91,241	\$ 140,139	\$ 25,857	\$ 392,708	\$ 649,945
Balance, June 30, 2011	<u>150,850</u>	<u>250,721</u>	<u>13,858</u>	<u>829,037</u>	<u>1,244,466</u>
Change in balance	<u>\$ 59,609</u>	<u>\$ 110,582</u>	<u>\$ (11,999)</u>	<u>\$ 436,329</u>	<u>\$ 594,521</u>

The City increased the property tax millage rate for 2011. The increase in the millage rate for residential properties was the result of increased requirements to fully fund employee benefits. With the increased levy rate the City collected an additional \$68,150 in property taxes when compared to the previous year.

The cost of all governmental activities this year was \$2,209,618 compared to \$1,902,158 last year. The Statement of Activities and Net Assets - Cash Basis which is exhibit A in this report reveals that the amount the taxpayers ultimately financed for these activities was \$1,618,016 because some of the cost was paid by those directly benefited from the programs or by other government agencies and organizations.

The business activities receipts for the fiscal year were \$1,179,775 compared to \$1,110,485 last year. This increase in revenues was due to the creation of the stormwater utility which started collections during the year. Total disbursements increased by \$142,188 from \$1,165,053 for fiscal year 2010 to \$1,307,241 for fiscal year 2011. During the year the City spent over \$150,000 on a water main project, reduced expenditures for the stormwater fund, and hired a full-time ambulance paramedic. These are the most significant events accounting for the increase in expenditures.

Individual Major Governmental Fund Analysis

At the end of the fiscal year, the City of Grundy Center had a combined \$1,244,466 in its Governmental Funds, this represents a positive change of \$594,522. The following are the highlights of the changes to the balances from last year's activities:

- The Road Use Tax Fund increased from the prior year. The City was not able to spend as much time on street maintenance as desired and this created the increase in fund balance.
- The General Fund increased by approximately \$60,000. This was in part due to departments not spending their full budget and better than expected revenues. This will assist the City in having adequate cash reserves throughout the year.
- The City issued GO Bonds to pay for three projects and buy down the interest rate on the outstanding GO Bonds. While they are GO Bonds, it is expected that the new portion of the debt will be repaid with a combination of TIF revenues and stormwater utility revenues. The projects addressed three areas needing immediate improvement. These projects will carryover into the next fiscal year and the remaining funds are a significant portion in the increased ending balance.

Individual Major Business Type Fund Analysis

- The Water Department through its Reserve Fund spent well over \$100,000 installing a new water main to the North Business Park to accommodate the needs of the first developer in the park.
- The Sanitary Sewer Fund, through its Reserve Fund, spent approximately \$50,000 on installing a lift station to complete improvements to the North Business Park.
- The Ambulance Department made the transition to a provisional paramedic service. This required the hiring of a full time employee with full benefits. Both revenues and expenses rose dramatically this year.
- The City established a new proprietary fund last year to pay for costs related to operating its stormwater sewer system. It started collecting revenues during this year and expects to operate on a budget of approximately \$50,000

Budgetary Highlights

During the year the budget was amended once. The amendment increased budgeted expenditures by \$699,219 for governmental funds and \$229,200 for enterprise funds. This was offset by an increase of \$65,000 in budgeted revenues and a new bond issue for \$656,000.

Debt Administration

As of June 30, 2011, the City of Grundy Center had \$4,123,125 in bonds and other long-term debt. This amount is \$464,145 more than a year ago as is shown below.

Outstanding Debt at Year-End (Expressed in Thousands)

	<u>2011</u>	<u>2010</u>
General Obligation Bonds:		
Sanitary sewer	\$ -	\$ 285
Corporate purpose and refund	655	-
Aquatic center	1,235	1,335
Revenue Bonds:		
Sewer revenue	602	629
Urban renewal tax increment financing	<u>1,631</u>	<u>1,410</u>
 Total indebtedness	 <u>\$ 4,123</u>	 <u>\$ 3,659</u>

Debt increased significantly in fiscal year 2011 as a result of issuing new bonds for the streets and stormwater projects as well as a TIF bond to pay for improvements which made the Prairie View Addition possible. 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 5.718 million dollars.

Economic Factors and Next Year's Budget and Rates

The Grundy Center City Council took action on next year's budget (FY2012) on March 14, 2011. 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, 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 2012 Expenditures was increased by over \$346,000. The increase was the result of increased budgets for capital projects, debt service payments, and proprietary fund expenses. While the budget increased, the tax levy rate was decreased from \$17.19647 per thousand dollars of taxable valuation to \$16.98282 per thousand dollars of taxable valuation. This decrease was made possible by a decrease in the amount necessary to pay the debt service obligations. 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>06/07</u>	<u>07/08</u>	<u>08/09</u>	<u>09/10</u>	<u>10/11</u>	<u>11/12</u>
Assessed value	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Rollback	45.9960 %	45.5596 %	44.0803 %	45.5893 %	46.9094 %	48.5299 %
Taxable value	45,996	45,560	44,080	45,589	46,909	48,530
Tax rate per						
\$1,000	15.22186	14.51541	17.08596	16.57469	17.19647	16.98282
Calculated tax	700	661	753	756	807	824

As the City looks forward it has in place the vertical infrastructure necessary to provide the services its citizens have become accustomed to. The concerns for the future are with the aging infrastructure underground, water distribution, sanitary sewer services, and storm water sewer system. This along with the dramatic increase in costs to maintain the quality of our streets will challenge the City's budgets for the foreseeable future. In order to meet this challenge there will have to be new construction to provide additional property tax sources or new streams of revenue will need to be developed. The surging value of agricultural land has an impact on the portion of a home which is taxable. The trend towards increasing portions of a home being taxable looks to continue for the next few years. This creates additional tax revenues with which to fund governmental operations.

Contacting the City's Financial Management

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

BASIC FINANCIAL STATEMENTS

CITY OF GRUNDY CENTER

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2011

	<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	\$ 342,692	\$ 3,493	\$ 19,903	\$ -
Public works	420,649	-	252,977	-
Health and social services	2,320	-	-	-
Culture and recreation	412,746	113,797	132,418	-
Community and economic development	52,311	2,357	6,679	-
General government	208,024	3,952	30	-
Debt service	352,635	-	-	-
Capital projects	418,241	-	-	55,996
Total governmental activities	<u>2,209,618</u>	<u>123,599</u>	<u>412,007</u>	<u>55,996</u>
Business type activities:				
Water	611,875	530,710	482	-
Sewer	333,091	216,261	24,937	-
Sanitation	327,907	245,791	1,288	-
Ambulance	117,508	138,338	34,972	-
Storm sewer	16,860	48,675	-	-
Total business type activities	<u>1,407,241</u>	<u>1,179,775</u>	<u>61,679</u>	<u>-</u>
Total	<u>\$ 3,616,859</u>	<u>\$ 1,303,374</u>	<u>\$ 473,686</u>	<u>\$ 55,996</u>

GENERAL RECEIPTS AND TRANSFERS:

- Property taxes levied for:
 - General purposes
 - Debt service
- Tax increment financing
- Local option sales tax
- Grants and contributions not restricted to specific purposes
- Unrestricted interest on investments
- Special assessments
- Bond proceeds

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

	Governmental Activities	Business Type Activities	Total
\$ (319,296)	\$ -	\$ -	\$ (319,296)
(167,672)	-	-	(167,672)
(2,320)	-	-	(2,320)
(166,531)	-	-	(166,531)
(43,275)	-	-	(43,275)
(204,042)	-	-	(204,042)
(352,635)	-	-	(352,635)
(362,245)	-	-	(362,245)
(1,618,016)	-	-	(1,618,016)
-	(80,683)	(80,683)	(80,683)
-	(91,893)	(91,893)	(91,893)
-	(80,828)	(80,828)	(80,828)
-	55,802	55,802	55,802
-	31,815	31,815	31,815
-	(165,787)	(165,787)	(165,787)
(1,618,016)	(165,787)	(165,787)	(1,783,803)
834,892	-	-	834,892
227,011	-	-	227,011
165,119	-	-	165,119
195,510	-	-	195,510
13,378	-	-	13,378
11,182	22,243	33,425	67,851
2,962	-	2,962	2,962
654,364	23,987	678,351	1,322,711

(continued)

CITY OF GRUNDY CENTER

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2011

		Program Receipts	
<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>
GENERAL RECEIPTS AND TRANSFERS (continued):			
Miscellaneous			
Rents			
Sale of capital assets			
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:			
Expendable:			
Streets			
Urban renewal purposes			
Debt service			
Capital projects			
Other purposes			
Unrestricted:			
 TOTAL CASH BASIS NET ASSETS			

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

Governmental Activities	Business Type Activities	Total
49,619	1,960	51,579
34,809	18,628	53,437
26,368	5,412	31,780
<u>(2,677)</u>	<u>2,677</u>	<u>-</u>
<u>2,212,537</u>	<u>74,907</u>	<u>2,287,444</u>
594,521	(90,880)	503,641
<u>649,945</u>	<u>1,977,150</u>	<u>2,627,095</u>
<u>\$ 1,244,466</u>	<u>\$ 1,886,270</u>	<u>\$ 3,130,736</u>
\$ 250,721	\$ -	\$ 250,721
10,452	-	10,452
5,642	28,000	33,642
157,161	-	157,161
133,843	-	133,843
<u>686,647</u>	<u>1,858,270</u>	<u>2,544,917</u>
<u>\$ 1,244,466</u>	<u>\$ 1,886,270</u>	<u>\$ 3,130,736</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, 2011

		<u>Special Revenue</u>	
	<u>General</u>	<u>Road Use Tax</u>	<u>Special Revenue</u>
RECEIPTS:			
Property tax	\$ 603,103	\$ -	\$ 224,672
Tax increment financing collections	-	-	165,119
Other city tax	102,175	-	-
Licenses and permits	6,309	-	-
Use of money and property	18,089	-	1,743
Intergovernmental	29,976	252,977	-
Special assessments	-	-	-
Charges for services	98,975	-	-
Miscellaneous	93,122	-	-
	<hr/>	<hr/>	<hr/>
Total receipts	951,749	252,977	391,534
	<hr/>	<hr/>	<hr/>
DISBURSEMENTS:			
Operating:			
Public safety	341,381	-	-
Public works	212,904	142,395	-
Health and social services	2,320	-	-
Culture and recreation	345,494	-	-
Community and economic development	10,513	-	-
General government	208,024	-	-
Debt service	-	-	-
Capital projects	-	-	-
	<hr/>	<hr/>	<hr/>
Total disbursements	1,120,636	142,395	-
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of receipts over (under) disbursements	(168,887)	110,582	391,534
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	-	-
Sale of capital assets	-	-	-
Operating transfers in	238,414	-	-
Operating transfers out	(9,918)	-	(403,533)
	<hr/>	<hr/>	<hr/>
Net other financing sources (uses)	228,496	-	(403,533)
	<hr/>	<hr/>	<hr/>

Exhibit B

	<u>Capital Project</u>		
<u>Debt Service</u>	<u>Continuing Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
\$ 227,011	\$ -	\$ -	\$ 1,054,786
-	-	-	165,119
1,303	-	97,755	201,233
-	-	-	6,309
786	2,401	5,169	28,188
-	-	-	282,953
2,962	-	-	2,962
-	-	31,027	130,002
-	28,000	133,410	254,532
<u>232,062</u>	<u>30,401</u>	<u>267,361</u>	<u>2,126,084</u>
-	-	1,311	342,692
65,350	-	-	420,649
-	-	-	2,320
449	-	66,803	412,746
-	-	41,798	52,311
-	-	-	208,024
185,606	-	167,029	352,635
-	403,318	14,923	418,241
<u>251,405</u>	<u>403,318</u>	<u>291,864</u>	<u>2,209,618</u>
<u>(19,343)</u>	<u>(372,917)</u>	<u>(24,503)</u>	<u>(83,534)</u>
2,450	632,081	19,833	654,364
-	14,479	11,889	26,368
27,847	-	236,480	502,741
<u>(10,853)</u>	<u>-</u>	<u>(81,114)</u>	<u>(505,418)</u>
<u>19,444</u>	<u>646,560</u>	<u>187,088</u>	<u>678,055</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, 2011

	<u>Special Revenue</u>		
	<u>General</u>	<u>Road Use Tax</u>	<u>Special Revenue</u>
NET CHANGE IN CASH BALANCE	59,609	110,582	(11,999)
CASH BALANCE, BEGINNING OF YEAR, as restated	91,241	140,139	25,857
CASH BALANCE, END OF YEAR	\$ 150,850	\$ 250,721	\$ 13,858
CASH BASIS FUND BALANCE:			
Restricted:			
Expendable:			
Urban renewal purposes	\$ -	\$ -	\$ -
Debt service	-	-	-
Capital Projects	-	-	-
Streets	-	250,721	-
Other purposes	-	-	13,858
Assigned for capital projects	-	-	-
Unassigned	150,850	-	-
Total cash basis fund balance	\$ 150,850	\$ 250,721	\$ 13,858

Exhibit B

<u>Debt Service</u>	<u>Capital Project</u>	<u>Continuing Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
101		273,643	162,585	594,521
<u>5,541</u>		<u>(24,790)</u>	<u>411,957</u>	<u>649,945</u>
<u>\$ 5,642</u>		<u>\$ 248,853</u>	<u>\$ 574,542</u>	<u>\$ 1,244,466</u>
\$ -		\$ -	\$ 10,452	\$ 10,452
5,642		-	-	5,642
-		-	157,161	157,161
-		-	-	250,721
-		-	119,985	133,843
-		248,853	315,265	564,118
<u>-</u>		<u>-</u>	<u>(28,321)</u>	<u>122,529</u>
<u>\$ 5,642</u>		<u>\$ 248,853</u>	<u>\$ 574,542</u>	<u>\$ 1,244,466</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, 2011

	<u>Water</u>	<u>Sanitary Sewer</u>	<u>Sanitary Sewer Reserve</u>
OPERATING RECEIPTS:			
Intergovernmental	\$ 482	\$ 17,119	\$ -
Charges for services	530,160	215,386	-
Miscellaneous	550	8,693	17,728
	<u>531,192</u>	<u>241,198</u>	<u>17,728</u>
Total operating receipts			
OPERATING DISBURSEMENTS:			
Business type activities:			
Water	468,697	-	-
Sewer	-	227,562	105,529
Sanitation	-	-	-
Ambulance	-	-	-
Storm Sewer	-	-	-
Short term loan to area business	-	-	100,000
	<u>468,697</u>	<u>227,562</u>	<u>205,529</u>
Total operating disbursements			
Excess (deficiency) of operating receipts over (under) operating disbursements	62,495	13,636	(187,801)
NONOPERATING RECEIPTS:			
Interest on investments	1,883	1,110	7,433
	<u>1,883</u>	<u>1,110</u>	<u>7,433</u>
Excess (deficiency) of receipts over (under) disbursements	64,378	14,746	(180,368)
OTHER FINANCING SOURCES (USES):			
Bond proceeds	9,030	2,270	-
Sale of capital assets	2,180	3,107	-
Operating transfers in	775	775	-
Operating transfers out	-	-	-
	<u>11,985</u>	<u>6,152</u>	<u>-</u>
Net other financing sources (uses)			

Enterprise Funds					
<u>Sanitation</u>	<u>Water Reserve</u>	<u>Ambulance Trust</u>	<u>Sanitation Reserve</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>
\$ 1,288	\$ -	\$ 8,262	\$ -	\$ 6,210	\$ 33,361
202,024	-	-	-	187,013	1,134,583
43,767	709	-	2,152	20,499	94,098
<u>247,079</u>	<u>709</u>	<u>8,262</u>	<u>2,152</u>	<u>213,722</u>	<u>1,262,042</u>
-	143,178	-	-	-	611,875
-	-	-	-	-	333,091
227,907	-	-	-	-	227,907
-	-	-	-	117,508	117,508
-	-	-	-	16,860	16,860
-	-	-	-	-	100,000
<u>227,907</u>	<u>143,178</u>	<u>-</u>	<u>-</u>	<u>134,368</u>	<u>1,407,241</u>
19,172	(142,469)	8,262	2,152	79,354	(145,199)
<u>1,930</u>	<u>3,910</u>	<u>2,340</u>	<u>1,880</u>	<u>1,757</u>	<u>22,243</u>
<u>21,102</u>	<u>(138,559)</u>	<u>10,602</u>	<u>4,032</u>	<u>81,111</u>	<u>(122,956)</u>
-	-	-	-	12,687	23,987
-	-	-	25	100	5,412
775	-	100,000	352	-	102,677
-	-	-	-	(100,000)	(100,000)
<u>775</u>	<u>-</u>	<u>100,000</u>	<u>377</u>	<u>(87,213)</u>	<u>32,076</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, 2011

	<u>Water</u>	<u>Sanitary Sewer</u>	<u>Sanitary Sewer Reserve</u>
NET CHANGE IN CASH BALANCE	76,363	20,898	(180,368)
CASH BALANCE, BEGINNING OF YEAR	<u>171,663</u>	<u>103,349</u>	<u>479,311</u>
CASH BALANCE, END OF YEAR	<u>\$ 248,026</u>	<u>\$ 124,247</u>	<u>\$ 298,943</u>
CASH BASIS FUND BALANCE:			
Restricted for debt service	\$ -	\$ -	\$ 28,000
Unrestricted	<u>248,026</u>	<u>124,247</u>	<u>270,943</u>
Total cash basis fund balance	<u>\$ 248,026</u>	<u>\$ 124,247</u>	<u>\$ 298,943</u>

Enterprise Funds

<u>Sanitation</u>	<u>Water Reserve</u>	<u>Ambulance Trust</u>	<u>Sanitation Reserve</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>
21,877	(138,559)	110,602	4,409	(6,102)	(90,880)
<u>195,182</u>	<u>441,733</u>	<u>232,748</u>	<u>196,594</u>	<u>156,570</u>	<u>1,977,150</u>
<u>\$ 217,059</u>	<u>\$ 303,174</u>	<u>\$ 343,350</u>	<u>\$ 201,003</u>	<u>\$ 150,468</u>	<u>\$ 1,886,270</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,000
<u>217,059</u>	<u>303,174</u>	<u>343,350</u>	<u>201,003</u>	<u>150,468</u>	<u>1,858,270</u>
<u>\$ 217,059</u>	<u>\$ 303,174</u>	<u>\$ 343,350</u>	<u>\$ 201,003</u>	<u>\$ 150,468</u>	<u>\$ 1,886,270</u>

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

CITY OF GRUNDY CENTER

Notes to Financial Statements

June 30, 2011

(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, 2011

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

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets - Cash Basis 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 - Cash Basis presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

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.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets - Cash Basis 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, 2011

(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 Capital Projects, Continuing Projects Fund is utilized to account for capital projects.

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, Sanitation Reserve Fund is a reserve for capital projects to the City's sanitation system.

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.

CITY OF GRUNDY CENTER
Notes to Financial Statements
June 30, 2011

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

C. Measurement Focus and Basis of Accounting (continued)

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

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements did not exceed amounts budgeted.

CITY OF GRUNDY CENTER
Notes to Financial Statements
June 30, 2011

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

F. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2009, to compute the amounts which became liens on property on July 1, 2010. These taxes were due and payable in two installments on September 30, 2010 and March 31, 2011, 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, 2011, 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.

At June 30, 2011, the City's deposits consisted of cash, cash equivalents and bank certificates of deposit.

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, 2011

(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
2012	\$ 210,000	\$ 127,761	\$ 23,861	\$ 23,908	\$ 28,000	\$ 18,060	\$ 261,861	\$ 169,729
2013	235,000	120,722	36,492	22,026	29,000	17,220	300,492	159,968
2014	250,000	111,451	39,526	19,567	29,000	16,350	318,526	147,368
2015	260,000	101,583	51,956	17,439	30,000	15,480	341,956	134,502
2016	210,000	91,368	62,456	14,649	31,000	14,580	303,456	120,597
2017	215,000	82,383	73,834	11,280	32,000	13,650	320,834	107,313
2018	220,000	73,818	51,000	7,686	33,000	12,690	304,000	94,194
2019	230,000	64,852	62,000	4,945	34,000	11,700	326,000	81,497
2020	235,000	55,132	30,000	1,612	35,000	10,680	300,000	67,424
2021	250,000	45,092	-	-	36,000	9,630	286,000	54,722
2022	260,000	34,282	-	-	37,000	8,550	297,000	42,832
2023	130,000	22,913	-	-	38,000	7,440	168,000	30,353
2024	135,000	17,277	-	-	40,000	6,300	175,000	23,577
2025	140,000	11,366	-	-	41,000	5,100	181,000	16,466
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>\$3,090,000</u>	<u>\$ 965,170</u>	<u>\$ 431,125</u>	<u>\$ 123,112</u>	<u>\$ 602,000</u>	<u>\$ 175,230</u>	<u>\$4,123,125</u>	<u>\$1,263,512</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. For the current year, interest paid and total TIF receipts were \$5,858 and \$165,119, respectively.

CITY OF GRUNDY CENTER
Notes to Financial Statements

June 30, 2011

(3) Bonds and Notes Payable (continued)

Revenue Bond

The City has pledged future sewer customer receipts, net of operating disbursements, to repay \$680,000 in a sewer revenue bond issued February 2008. Proceeds from the bond provided financing for the construction of improvements and extensions to the sewer treatment plant. The bond is payable solely from sewer customer net receipts and are payable through 2028. For the current year, interest paid and total customer net receipts were \$18,870 and \$215,386, respectively.

Refunding Bonds

During the year ended June 30, 2011, the City issued \$670,000 in General Obligation Bonds with an average interest rate of 2.9% to refund \$235,000 of outstanding 2002 series bonds with an interest rate ranging from 4.9% to 5.3% prior to maturity, with the remaining proceeds to be used for Corporate Purposes, to the extent of constructing street and storm sewer improvements. The net proceeds of \$653,351 (after payment of underwriting fees, insurance and other issuance costs of \$16,649) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2002 series bonds. As a result, the 2002 series bonds are considered to be in-substance defeased and the liability for those bonds are not disclosed. The City refunded the 2002 series bonds to reduce its total debt service payments over the next 4 years by approximately \$14,900 resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$13,841. Total interest expense for the year on all bonds and notes payable was \$176,024.

(4) 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, 2011, \$80,142 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, Sanitary Sewer Reserve Fund resources to help finance the new Enterprise, Storm Sewer Fund. At June 30, 2011, \$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 storm sewer funds.

(5) Deficit Fund Balances

The following funds had deficit balances at June 30, 2011:

Special Revenue, Special Assessment Projects	\$ (12,140)
Debt Service, TIF Debt Service	(16,181)

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

CITY OF GRUNDY CENTER

Notes to Financial Statements

June 30, 2011

(6) 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 4.50% of their annual covered salary and the City is required to contribute 6.95% 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, 2011, 2010 and 2009 were \$52,366, \$45,838 and \$42,368, 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. The balance as of June 30, 2011 was \$74,660.

(7) 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, 2011, the City contributed \$11,977 to the plan.

CITY OF GRUNDY CENTER

Notes to Financial Statements

June 30, 2011

(8) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours based on the length of employment for subsequent use or for payment upon termination, retirement or death. Sick leave is not a vested benefit. It is payable when used and may be accumulated at the rate of nine days per year, to a maximum of 90 days. At termination, all sick leave accumulated but unused is forfeited, except employees with 15 years of full-time employment shall be entitled to 20% of the value of their sick leave balance. Vacation is payable when used and must be used within 12.5 months of the vesting date. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2011, primarily relating to the General Fund, is \$73,134. This liability has been computed based on rates of pay in effect at June 30, 2011.

(9) 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.

(10) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Special Revenue	\$ 238,414
Debt Service: Debt Service	Special Revenue: Special Revenue	8,014
Debt Service: TIF	Special Revenue: Special Revenue	157,105
Special Revenue: Special Assessment	Debt Service	2,839
Capital Projects: Equipment Reserve	General	1,918
Debt Service: Debt Service	TIF Debt Service	19,833
Capital Projects: Swimming Pool Reserve	Capital Projects: Community Betterment	51,604

CITY OF GRUNDY CENTER
Notes to Financial Statements
June 30, 2011

(10) **Interfund Transfers** (continued)

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Capital Projects: D & D Program	Capital Projects: Community Betterment	7,000
Debt Service: TIF Debt Service	Debt Service: Debt Service	8,014
Capital Projects: Police Reserve	General Fund	8,000
Enterprise: Sanitary Sewer	Special Revenue: Special Assessments	775
Enterprise: Sanitation	Special Revenue: Special Assessments	775
Enterprise: Sanitation Reserve	Special Revenue: Special Assessments	352
Enterprise: Ambulance Trust	Enterprise: Ambulance	100,000
Enterprise: Water	Special Revenue: Special Assessments	<u>775</u>
Total		<u>\$ 605,418</u>

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

(11) **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.

(12) **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, 2011

(13) Subsequent Event

Management evaluated subsequent events through February 21, 2012, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2011, but prior to February 21, 2012, that provided additional evidence about conditions that existed at June 30, 2011, have been recognized in the financial statements for the year ended June 30, 2011. Events or transactions that provided evidence about conditions that did not exist at June 30, 2011, 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, 2011.

(14) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects, <u>TIF Projects</u>	Special Revenue, <u>TIF Projects</u>
Balances June 30, 2010 as previously reported	\$ -	\$ 31,364
Change in fund type classification per implementation of GASB Statement No. 54	<u>31,364</u>	<u>(31,364)</u>
Balances July 1, 2010, as restated	<u>\$ 31,364</u>	<u>\$ -</u>

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, 2011

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Less Funds not Required to <u>be Budgeted</u>
RECEIPTS:			
Property tax	\$ 1,054,786	\$ -	\$ -
Tax increment financing collections	165,119	-	-
Other city tax	201,233	-	-
Licenses and permits	6,309	-	-
Use of money and property	28,188	22,243	-
Intergovernmental	282,953	33,361	-
Charges for services	130,002	1,134,583	-
Special assessments	2,962	-	-
Miscellaneous	<u>254,532</u>	<u>94,098</u>	<u>-</u>
Total receipts	<u>2,126,084</u>	<u>1,284,285</u>	<u>-</u>
DISBURSEMENTS:			
Public safety	342,692	-	-
Public works	420,649	-	-
Health and social services	2,320	-	-
Culture and recreation	412,746	-	-
Community and economic development	52,311	-	-
General government	208,024	-	-
Debt service	352,635	-	-
Capital projects	418,241	-	-
Business type activities	<u>-</u>	<u>1,407,241</u>	<u>-</u>
Total disbursements	<u>2,209,618</u>	<u>1,407,241</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	(83,534)	(122,956)	-
OTHER FINANCING SOURCES, NET	<u>678,055</u>	<u>32,076</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	594,521	(90,880)	-
BALANCES, BEGINNING OF YEAR	<u>649,945</u>	<u>1,977,150</u>	<u>-</u>
BALANCES, END OF YEAR	<u>\$ 1,244,466</u>	<u>\$ 1,886,270</u>	<u>\$ -</u>

<u>Net</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 1,054,786	\$ 1,050,569	\$ 1,050,569	\$ 4,217
165,119	157,042	157,042	8,077
201,233	181,502	181,502	19,731
6,309	5,720	5,720	589
50,431	158,166	158,166	(107,735)
316,314	309,810	309,810	6,504
1,264,585	1,230,100	1,230,100	34,485
2,962	4,072	4,072	(1,110)
<u>348,630</u>	<u>151,000</u>	<u>216,000</u>	<u>132,630</u>
<u>3,410,369</u>	<u>3,247,981</u>	<u>3,312,981</u>	<u>97,388</u>
342,692	344,904	351,429	8,737
420,649	476,974	480,274	59,625
2,320	2,320	2,320	-
412,746	421,263	456,913	44,167
52,311	77,015	79,165	26,854
208,024	209,343	213,343	5,319
352,635	329,375	363,002	10,367
418,241	75,000	688,967	270,726
<u>1,407,241</u>	<u>1,194,472</u>	<u>1,423,672</u>	<u>16,431</u>
<u>3,616,859</u>	<u>3,130,666</u>	<u>4,059,085</u>	<u>442,226</u>
(206,490)	117,315	(746,104)	539,614
<u>710,131</u>	<u>-</u>	<u>656,000</u>	<u>54,131</u>
503,641	117,315	(90,104)	593,745
<u>2,627,095</u>	<u>10,779,658</u>	<u>10,779,658</u>	<u>(8,152,563)</u>
<u>\$ 3,130,736</u>	<u>\$ 10,896,973</u>	<u>\$ 10,689,554</u>	<u>\$ (7,558,818)</u>

See accompanying independent auditor's report.

CITY OF GRUNDY CENTER

Notes to Required Supplementary Information- Budgetary Reporting

June 30, 2011

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 \$928,419 and \$65,000, respectively. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements did not exceed amounts budgeted.

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, 2011

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>TIF Debt Service</u>	<u>Totals</u>
RECEIPTS:				
Other city tax	\$ -	\$ 97,755	\$ -	\$ 97,755
Use of money and property	731	4,337	101	5,169
Charges for services	-	31,027	-	31,027
Miscellaneous	108,331	25,079	-	133,410
Total receipts	<u>109,062</u>	<u>158,198</u>	<u>101</u>	<u>267,361</u>
DISBURSEMENTS:				
Operating:				
Public safety	-	1,311	-	1,311
Culture and recreation	66,803	-	-	66,803
Community and economic development	2,724	39,074	-	41,798
Debt service	-	-	167,029	167,029
Capital projects	162	14,761	-	14,923
Total disbursements	<u>69,689</u>	<u>55,146</u>	<u>167,029</u>	<u>291,864</u>
Excess (deficiency) of receipts over (under) disbursements	<u>39,373</u>	<u>103,052</u>	<u>(166,928)</u>	<u>(24,503)</u>
OTHER FINANCING SOURCES (USES):				
Bond proceeds	-	-	19,833	19,833
Sale of capital assets	-	11,889	-	11,889
Operating transfers in	2,839	68,522	165,119	236,480
Operating transfers out	(2,677)	(58,604)	(19,833)	(81,114)
Net other financing sources	<u>162</u>	<u>21,807</u>	<u>165,119</u>	<u>187,088</u>
NET CHANGE IN CASH BALANCE	39,535	124,859	(1,809)	162,585
CASH BALANCE, BEGINNING OF YEAR, as restated	<u>36,709</u>	<u>389,620</u>	<u>(14,372)</u>	<u>411,957</u>
CASH BALANCE, END OF YEAR	<u>\$ 76,244</u>	<u>\$ 514,479</u>	<u>\$ (16,181)</u>	<u>\$ 574,542</u>
CASH BASIS FUND BALANCE:				
Restricted for:				
Urban renewal	\$ -	\$ 10,452	\$ -	10,452
Capital projects	-	157,161	-	157,161
Other purposes	88,384	31,601	-	119,985
Assigned for capital projects	-	315,265	-	315,265
Unassigned	(12,140)	-	(16,181)	(28,321)
Total cash basis fund balance	<u>\$ 76,244</u>	<u>\$ 514,479</u>	<u>\$ (16,181)</u>	<u>\$ 574,542</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, 2011

	<u>Ambulance</u>	<u>Storm Sewer</u>	<u>Totals</u>
OPERATING RECEIPTS:			
Intergovernmental	\$ 6,210	\$ -	\$ 6,210
Charges for services	138,338	48,675	187,013
Miscellaneous	20,499	-	20,499
	<u>165,047</u>	<u>48,675</u>	<u>213,722</u>
Total operating receipts			
OPERATING DISBURSEMENTS:			
Business type activities:			
Ambulance	117,508	-	117,508
Storm sewer	-	16,860	16,860
	<u>117,508</u>	<u>16,860</u>	<u>134,368</u>
Total operating disbursements			
Excess (deficiency) of operating receipts over (under) operating disbursements	47,539	31,815	79,354
NONOPERATING RECEIPTS:			
Interest on investments	1,495	262	1,757
	<u>1,495</u>	<u>262</u>	<u>1,757</u>
Excess (deficiency) of receipts over (under) disbursements	49,034	32,077	81,111
OTHER FINANCING SOURCES (USES):			
Bond proceeds	-	12,687	12,687
Sale of capital assets	-	100	100
Operating transfers out	(100,000)	-	(100,000)
	<u>(100,000)</u>	<u>12,787</u>	<u>(87,213)</u>
Net other financing sources (uses)			
NET CHANGE IN CASH BALANCE	(50,966)	44,864	(6,102)
CASH BALANCE, BEGINNING OF YEAR	142,778	13,792	156,570
CASH BALANCE, END OF YEAR	<u>\$ 91,812</u>	<u>\$ 58,656</u>	<u>\$ 150,468</u>
CASH BASIS FUND BALANCE:			
Unrestricted	<u>\$ 91,812</u>	<u>\$ 58,656</u>	<u>\$ 150,468</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, 2011

	<u>Library Gift Trust</u>	<u>Fire Dept Gift Trust</u>	<u>Admin- Econ Development Gift Trust</u>	<u>Park Board Gift Trust</u>
RECEIPTS:				
Use of money and property	\$ 249	\$ 69	\$ -	\$ 133
Miscellaneous	47,713	-	4,156	15,000
	<u>47,962</u>	<u>69</u>	<u>4,156</u>	<u>15,133</u>
Total receipts				
DISBURSEMENTS:				
Operating:				
Culture and recreation	22,835	-	-	4,021
Community and economic development	-	-	906	-
Capital projects	-	-	-	-
	<u>22,835</u>	<u>-</u>	<u>906</u>	<u>4,021</u>
Total disbursements				
Excess (deficiency) of receipts over (under) disbursements	<u>25,127</u>	<u>69</u>	<u>3,250</u>	<u>11,112</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources				
NET CHANGE IN CASH BALANCES	25,127	69	3,250	11,112
CASH BALANCES, BEGINNING OF YEAR	<u>7,754</u>	<u>8,108</u>	<u>-</u>	<u>7,613</u>
CASH BALANCES, END OF YEAR	<u>\$ 32,881</u>	<u>\$ 8,177</u>	<u>\$ 3,250</u>	<u>\$ 18,725</u>
CASH BASIS FUND BALANCES:				
Restricted for:				
Other purposes	\$ 32,881	\$ 8,177	\$ 3,250	\$ 18,725
Unassigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 32,881</u>	<u>\$ 8,177</u>	<u>\$ 3,250</u>	<u>\$ 18,725</u>

Schedule 3

Community Center Gift Trust	Ambulance Gift Trust	Tree Gift Trust	Visioning Grant	Special Assessment Projects	Totals
\$ 142	\$ 81	\$ 23	\$ 34	\$ -	\$ 731
37,569	1,393	2,500	-	-	108,331
37,711	1,474	2,523	34	-	109,062
38,978	969	-	-	-	66,803
-	-	1,818	-	-	2,724
-	-	-	-	162	162
38,978	969	1,818	-	162	69,689
(1,267)	505	705	34	(162)	39,373
-	-	-	-	2,839	2,839
-	-	-	-	(2,677)	(2,677)
-	-	-	-	162	162
(1,267)	505	705	34	-	39,535
10,066	8,950	2,513	3,845	(12,140)	36,709
<u>\$ 8,799</u>	<u>\$ 9,455</u>	<u>\$ 3,218</u>	<u>\$ 3,879</u>	<u>\$ (12,140)</u>	<u>\$ 76,244</u>
\$ 8,799	\$ 9,455	\$ 3,218	\$ 3,879	\$ -	\$ 88,384
-	-	-	-	(12,140)	(12,140)
<u>\$ 8,799</u>	<u>\$ 9,455</u>	<u>\$ 3,218</u>	<u>\$ 3,879</u>	<u>\$ (12,140)</u>	<u>\$ 76,244</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, 2011

	<u>Equipment Reserve</u>	<u>Fire Equipment Reserve</u>	<u>Grundy Center Police Reserve</u>	<u>Swimming Pool Reserve</u>
RECEIPTS:				
Other city taxes	\$ -	\$ -	\$ -	\$ -
Use of money and property	1,145	1,427	39	-
Charges for services	-	31,027	-	-
Miscellaneous	110	4,200	2,216	18,553
	<u>1,255</u>	<u>36,654</u>	<u>2,255</u>	<u>18,553</u>
Total receipts				
DISBURSEMENTS:				
Public safety	-	-	1,311	-
Community and economic development	-	-	-	-
Capital projects	-	-	-	8,200
	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,200</u>
Total disbursements				
	<u>-</u>	<u>-</u>	<u>1,311</u>	<u>8,200</u>
Excess (deficiency) of receipts over (under) disbursements	<u>1,255</u>	<u>36,654</u>	<u>944</u>	<u>10,353</u>
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	5,208	-	120	-
Operating transfers in	1,918	-	8,000	51,604
Operating transfers outs	-	-	-	-
	<u>7,126</u>	<u>-</u>	<u>8,120</u>	<u>51,604</u>
Net other financing sources (uses)				
NET CHANGE IN CASH BALANCE	8,381	36,654	9,064	61,957
CASH BALANCE, BEGINNING OF YEAR, as restated	<u>119,285</u>	<u>134,574</u>	<u>4,162</u>	<u>(61,957)</u>
CASH BALANCE, END OF YEAR	<u>\$ 127,666</u>	<u>\$ 171,228</u>	<u>\$ 13,226</u>	<u>\$ -</u>
CASH BASIS FUND BALANCE:				
Restricted for:				
Urban renewal	\$ -	\$ -	\$ -	\$ -
Capital projects	-	-	-	-
Other purposes	-	-	-	-
Assigned	<u>127,666</u>	<u>171,228</u>	<u>13,226</u>	<u>-</u>
Total cash basis fund balance	<u>\$ 127,666</u>	<u>\$ 171,228</u>	<u>\$ 13,226</u>	<u>\$ -</u>

Schedule 4

<u>Community Betterment</u>	<u>Housing Rehabilitation</u>	<u>TIF Projects</u>	<u>D & D Program</u>	<u>Totals</u>
\$ 97,755	\$ -	\$ -	\$ -	\$ 97,755
1,489	-	237	-	4,337
-	-	-	-	31,027
-	-	-	-	25,079
<u>99,244</u>	<u>-</u>	<u>237</u>	<u>-</u>	<u>158,198</u>
-	-	-	-	1,311
35,300	110	-	3,664	39,074
-	-	6,561	-	14,761
<u>35,300</u>	<u>110</u>	<u>6,561</u>	<u>3,664</u>	<u>55,146</u>
<u>63,944</u>	<u>(110)</u>	<u>(6,324)</u>	<u>(3,664)</u>	<u>103,052</u>
-	-	6,561	-	11,889
-	-	-	7,000	68,522
(58,604)	-	-	-	(58,604)
<u>(58,604)</u>	<u>-</u>	<u>6,561</u>	<u>7,000</u>	<u>21,807</u>
5,340	(110)	237	3,336	124,859
<u>151,821</u>	<u>10,562</u>	<u>31,364</u>	<u>(191)</u>	<u>389,620</u>
<u>\$ 157,161</u>	<u>\$ 10,452</u>	<u>\$ 31,601</u>	<u>\$ 3,145</u>	<u>\$ 514,479</u>
\$ -	\$ 10,452	-	\$ -	\$ 10,452
157,161	-	-	-	157,161
-	-	31,601	-	31,601
-	-	-	3,145	315,265
<u>\$ 157,161</u>	<u>\$ 10,452</u>	<u>\$ 31,601</u>	<u>\$ 3,145</u>	<u>\$ 514,479</u>

CITY OF GRUNDY CENTER

Schedule of Indebtedness

Year ended June 30, 2011

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation loans:			
Storm Sewer Project Loan	June 1, 2002	3.75%-5.30%	\$ 400,000
GO Corp Purpose & Refunding Bond	November 1, 2010	1.00%-3.75%	670,000
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	December 30, 2010	5.38%	260,000
Urban Renewal TIF revenue bond	June 30, 2004	5.25%	268,000
Total			
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>
\$ 285,000	\$ -	\$ 285,000	\$ -	\$ 14,570	\$ -
-	670,000	15,000	655,000	9,626	-
1,335,000	-	100,000	1,235,000	61,410	-
<u>1,200,000</u>	<u>-</u>	<u>-</u>	<u>1,200,000</u>	<u>54,948</u>	<u>-</u>
<u>2,820,000</u>	<u>670,000</u>	<u>400,000</u>	<u>3,090,000</u>	<u>140,554</u>	<u>-</u>
<u>629,000</u>	<u>-</u>	<u>27,000</u>	<u>602,000</u>	<u>18,870</u>	<u>-</u>
22,345	-	16,023	6,322	1,187	-
-	260,000	-	260,000	5,858	-
<u>187,635</u>	<u>-</u>	<u>22,832</u>	<u>164,803</u>	<u>9,555</u>	<u>-</u>
<u>209,980</u>	<u>260,000</u>	<u>38,855</u>	<u>431,125</u>	<u>16,600</u>	<u>-</u>
<u>\$ 3,658,980</u>	<u>\$ 930,000</u>	<u>\$ 465,855</u>	<u>\$ 4,123,125</u>	<u>\$ 176,024</u>	<u>\$ -</u>

CITY OF GRUNDY CENTER

Bond and Note Maturities

June 30, 2011

Year ending June 30,	General Obligation Loans						Revenue Bond		
	Urban Renewal Aquatic Center Issued July 15, 2007		Urban Renewal Aquatic Center Issued July 15, 2007		GO Corporate Purpose Bonds Issued November, 1, 2010		Sewer Revenue Bond Issued February 26, 2008		
	Principal	Interest Rates	Principal	Interest Rates	Principal	Interest Rates	Total	Principal	Interest Rates
2012	\$ 30,000	4.95%	\$ 95,000	4.95%	\$ 85,000	1.00%	\$ 210,000	\$ 28,000	3.00%
2013	60,000	4.95%	95,000	4.95%	80,000	2.00%	235,000	29,000	3.00%
2014	65,000	4.95%	100,000	4.95%	85,000	2.00%	250,000	29,000	3.00%
2015	70,000	4.95%	100,000	4.95%	90,000	2.00%	260,000	30,000	3.00%
2016	70,000	4.55%	110,000	4.55%	30,000	2.65%	210,000	31,000	3.00%
2017	75,000	4.20%	110,000	4.20%	30,000	2.65%	215,000	32,000	3.00%
2018	75,000	4.30%	115,000	4.30%	30,000	2.65%	220,000	33,000	3.00%
2019	80,000	4.35%	120,000	4.35%	30,000	3.40%	230,000	34,000	3.00%
2020	85,000	4.40%	120,000	4.40%	30,000	3.40%	235,000	35,000	3.00%
2021	90,000	4.45%	130,000	4.45%	30,000	3.40%	250,000	36,000	3.00%
2022	90,000	4.50%	140,000	4.50%	30,000	3.40%	260,000	37,000	3.00%
2023	95,000	4.55%	-	-	35,000	3.75%	130,000	38,000	3.00%
2024	100,000	4.60%	-	-	35,000	3.75%	135,000	40,000	3.00%
2025	105,000	4.65%	-	-	35,000	3.75%	140,000	41,000	3.00%
2026	110,000	4.70%	-	-	-	-	110,000	42,000	3.00%
2027	-	-	-	-	-	-	-	43,000	3.00%
2028	-	-	-	-	-	-	-	44,000	3.00%
	<u>\$ 1,200,000</u>		<u>\$ 1,235,000</u>		<u>\$ 655,000</u>		<u>\$ 3,090,000</u>	<u>\$ 602,000</u>	

Year ending June 30,	Urban Renewal Tax Increment Issued March 20, 2000		Urban Renewal Tax Increment Issued June 30, 2004		Urban Renewal Tax Increment Issued December 30, 2010		Total
	Principal	Interest Rates	Principal	Interest Rates	Principal	Interest Rates	
	2012	\$ -	-	\$ 23,861	5.25%	\$ -	
2013	6,322	6.50%	25,170	5.25%	5,000	5.38%	36,492
2014	-	-	26,526	5.25%	13,000	5.38%	39,526
2015	-	-	27,956	5.25%	24,000	5.38%	51,956
2016	-	-	29,456	5.25%	33,000	5.38%	62,456
2017	-	-	31,834	5.25%	42,000	5.38%	73,834
2018	-	-	-	-	51,000	5.38%	51,000
2019	-	-	-	-	62,000	5.38%	62,000
2020	-	-	-	-	30,000	5.38%	30,000
	<u>\$ 6,322</u>		<u>\$ 164,803</u>		<u>\$ 260,000</u>		<u>\$ 431,125</u>

CITY OF GRUNDY CENTER

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

For the Last Eight Years

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
RECEIPTS:								
Property tax	\$ 1,054,786	\$ 986,636	\$ 980,859	\$ 846,224	\$ 878,983	\$ 793,576	\$ 769,143	\$ 712,802
Tax increment financing collections	165,119	140,400	176,200	134,272	113,161	98,702	86,642	92,621
Other city tax	201,233	182,004	192,884	177,878	181,982	159,582	144,166	139,534
Licenses and permits	6,309	6,410	5,802	5,066	5,206	7,485	7,928	6,015
Use of money and property	28,188	31,181	36,017	105,295	57,244	55,810	47,291	44,224
Intergovernmental	282,953	278,781	398,665	298,492	288,327	516,825	340,691	380,403
Special assessments	2,962	3,170	7,550	4,995	25,634	26,378	74,076	80,414
Charges for services	130,002	121,056	124,985	60,213	60,217	85,245	65,316	36,762
Miscellaneous	254,532	174,633	275,903	342,221	124,300	225,084	117,547	121,837
Total	<u>\$ 2,126,084</u>	<u>\$ 1,924,271</u>	<u>\$ 2,198,865</u>	<u>\$ 1,974,656</u>	<u>\$ 1,735,054</u>	<u>\$ 1,968,687</u>	<u>\$ 1,652,800</u>	<u>\$ 1,614,612</u>
DISBURSEMENTS:								
Operating:								
Public safety	\$ 342,692	\$ 357,985	\$ 314,050	\$ 285,389	\$ 262,614	\$ 284,886	\$ 275,918	\$ 269,802
Public works	420,649	478,164	549,860	463,046	451,869	587,681	406,261	449,217
Health and social services	2,320	1,820	1,820	4,520	4,020	4,020	4,020	4,020
Culture and recreation	412,746	401,056	345,664	303,227	290,401	317,876	310,284	291,491
Community and economic development	52,311	68,166	73,997	149,609	181,294	206,680	139,621	185,187
General government	208,024	198,727	200,029	185,502	177,220	185,679	167,467	173,380
Debt service	352,635	344,954	380,580	173,397	50,740	51,340	51,903	52,413
Capital projects	418,241	51,256	392,654	2,983,860	565,344	457,461	445,228	144,579
Total	<u>\$ 2,209,618</u>	<u>\$ 1,902,128</u>	<u>\$ 2,258,654</u>	<u>\$ 4,548,550</u>	<u>\$ 1,983,502</u>	<u>\$ 2,095,623</u>	<u>\$ 1,800,702</u>	<u>\$ 1,570,089</u>

See accompanying independent auditor's report.



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

To the Honorable Mayor and
Members of the City Council
Grundy Center, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Grundy Center, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 21, 2012, 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 in conformity with an other comprehensive basis of accounting. 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, 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 and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness and another deficiency that 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-11 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 which 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-11 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, 2011, 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.



Cedar Rapids, Iowa
February 21, 2012

CITY OF GRUNDY CENTER
Schedule of Findings and Responses
Year ended June 30, 2011

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-11: 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, 2011

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

II-B-11: 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, 2011

PART III: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

- III-A-2011 Certified Budget - Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted.
- III-B-2011 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-2011 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-2011 Business Transactions - There were no business transactions between the City and City officials or employees.
- III-E-2011 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-2011 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.
- III-G-2011 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-2011 Revenue Bonds – No instances of non-compliance with the revenue bond and note resolutions were noted.
- III-I-2011 Financial Condition - The City had deficit balances in the Special Revenue, Special Assessments Fund and the Debt Service, 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.