



**OFFICE OF AUDITOR OF STATE**  
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

November 17, 2011

Contact: Andy Nielsen  
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Auditor of State David A. Vaudt today released an audit report on the City of Grimes, Iowa.

The City's receipts totaled \$15,152,610 for the year ended June 30, 2011, a 31% decrease from 2010. The receipts included \$5,204,491 in property tax, \$1,060,037 in tax increment financing, \$3,941,221 from charges for service, \$822,418 from operating grants, contributions and restricted interest, \$3,846,947 from capital grants, contributions and restricted interest, \$120,438 from lease proceeds, \$35,704 from unrestricted interest on investments and \$121,354 from other general receipts.

Disbursements for the year totaled \$15,931,768, a 4% increase over the prior year, and included \$6,624,078 for capital projects, \$2,150,932 for debt service and \$1,461,193 for public works. Also, disbursements for business type activities totaled \$2,779,731.

The decrease in receipts is due primarily to bond proceeds received during the year ended June 30, 2010.

A copy of the audit report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1120-0719-B00F.pdf>.

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**CITY OF GRIMES**

**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2011**

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**City of Grimes**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tom Armstrong	Mayor	Jan 2014
Jill Altringer	Mayor Pro Tem	Jan 2014
Tami Evans	Council Member	Jan 2012
Craig Patterson	Council Member	Jan 2012
Thomas Shatava	Council Member	Jan 2014
Mat Tapper	Council Member	Jan 2014
Kelley Brown	Administrator	Indefinite
Rochelle Williams	Clerk	Indefinite
Barbara Alexander	Treasurer	(Retired October 2010)
Deborah Gallaher	Treasurer	Indefinite
Tom Henderson	Attorney	Indefinite

**City of Grimes**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Grimes, 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. These financial statements are the responsibility of the City of Grimes' 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Grimes as of June 30, 2011, and the respective changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

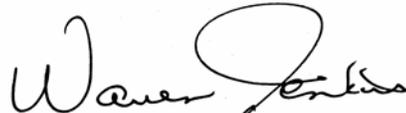
In accordance with Government Auditing Standards, we have also issued our report dated October 17, 2011 on our consideration of the City of Grimes' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and 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.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 21 and 40 through 42 are not required parts 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 Grimes' 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 eight years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 17, 2011

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Grimes 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

- The governmental activities property tax and tax increment financing (TIF) receipts increased approximately \$867,000 from fiscal year 2010 to fiscal year 2011. This is the result of the regular taxable valuation increase from \$330,504,759 to \$361,814,235. Over the past five years, the regular taxable valuation has grown from \$187,044,554 to \$361,814,235, resulting in an increase of \$174,769,681, or 93.4%.

Receipts and transfers of the City's governmental activities decreased 35.4%, or approximately \$6,847,000, from fiscal year 2010 to fiscal year 2011. A \$10 million bond issue during fiscal year 2010 accounts for the majority of the difference between the two years. Eliminating the effect of the bond proceeds, receipts increased \$3,084,637, or 32.8%, mostly because of Iowa Department of Transportation (IDOT) and federal funding for the Highway 44 project. As indicated above, the City received over \$867,000 more of property tax and tax increment financing than received in fiscal year 2010, an increase of approximately \$54,000 in charges for service and an increase of approximately \$197,000 in operating grants, contributions and restricted interest. Fiscal year 2011 continued to be very busy for the City of Grimes in spite of the economy. The Highway 44 project, receiving both IDOT and federal funds, was projected to be completed in the fall of 2010. However, due to adverse weather conditions, it continued throughout the construction season of 2011 as well. Other smaller projects, such as the cemetery project, the SE Gateway Drive extension and signals at SE 11<sup>th</sup> Street, were completed, but most of the effort was focused on the Highway 44 project.

Although numbers increased after the downturn in the economy in 2010, there was a decrease in residential and commercial construction, resulting in decreases of approximately \$93,000 in receipts from building permit fees, approximately \$77,000 in water tapping fees and approximately \$85,000 in sewer tapping fees. Indicative of little actual plat development, building development fees, which are the reimbursement of billed engineering and inspection fees for the site plans, plats and public infrastructure improvements, showed a slight rebound with an increase from \$44,690 in fiscal year 2010 to \$54,620 in fiscal year 2011. Although \$9,930 is a relatively small increase overall, it still shows there is an interest in continued plat development. Consistent with this slight increase, disbursements for engineering and inspection fees also increased after the initial decrease from \$76,125 in fiscal year 2009 to \$70,459 in fiscal year 2010 and now the increase to \$74,791 in fiscal year 2011. This means new plats are currently on a slight rebound. However, most of the construction is continuing on existing plats where the infrastructure costs have already been incurred and paid by the developer.

Despite the downturn in building overall, commercial valuation continued to increase. Starting in 2003, commercial valuations have grown over the years from \$62,873,157 to \$63,462,659, \$76,457,880, \$80,700,405, \$99,563,533, \$114,571,090, \$136,366,480, \$151,167,840 and now, in 2011, \$162,868,450. That is a 159% increase over the last eight years, or \$99,995,293. A growing community always needs to maintain a healthy balance of commercial and residential development to help maintain taxes at a consistent level.

Because of the proceeds from the bond issue to be disbursed for the Highway 44 project and a delay in the project in 2010, most of the bond proceeds remained at the end of fiscal year 2010 and the total cash balances decreased from \$12,229,192 at the end of fiscal year 2010 to \$11,450,034 at the end of fiscal year 2011. The City also received the remaining \$50,000 in American Recovery and Reinvestment Act (ARRA) funds for the South James Street project. The City also received \$2,518,992 in federal assistance for the Highway 44 project, \$597,546 from IDOT for the Highway 44 project and \$38,308 from the Iowa Department of Public Defense, Iowa Homeland Security and Emergency Management Division for mitigation and repair efforts after the storms in 2010. Developers also reimbursed the City \$193,564 for the SE 11<sup>th</sup> Street traffic signals and the SE Gateway Drive extension.

The trend for road use tax receipts seems to be inconsistent. In fiscal year 2007, there was a slight decrease of \$2,231. In fiscal year 2008, receipts increased \$13,645, in fiscal year 2009, receipts decreased \$15,844, in fiscal year 2010 receipts increased \$31,797, which doesn't include the \$25,603 of I-Jobs Road Use Tax (RUT) money. In fiscal year 2011, \$811,999 was received, \$120,438 of which was lease proceeds for the snow plow truck, \$31,153 was I-Jobs and \$63,498 was a refund, leaving a balance of \$596,910. The net increase from fiscal year 2010 to fiscal year 2011 was \$53,141. All cities in Iowa receive RUT funds. These are distributed equally on a per capita basis. The *Code of Iowa*, Chapter 312.14, requires cities which receive an allotment to prepare an annual report showing receipts and disbursements for street-related activities. This annual report is not limited to RUT funds. It includes all receipts and disbursements spent on streets. This report is called the Street Finance Report from the IDOT and is filed with IDOT each year. For this fiscal year, the amount disbursed was \$90.50 per person, which is expected to increase to \$94.00 per person for fiscal year 2012. When the new Census numbers were certified, the City of Grimes received a larger allocation of RUT funds.

The Grimes Community Complex (the old Dallas Center-Grimes Middle School) was opened in the summer of 2006 for use by the Summer Recreation program. The use of the building has been expanded to include the leasing of four rooms to the YMCA and the leasing and renovation of another two rooms for the combined use of a church or large group meeting room. The Grimes Historical Room was opened in 2009 and was the result of an Eagle Scout project. One room has been set up as a batting cage and another for cycling. Hours for general use have been expanded and include having a person on staff during normal hours to alleviate the need for key card access in most situations. A more comprehensive use policy has been implemented, which gives all Grimes' residents two hours of free rental on most rooms for special occasions. This new programming and rental programs have accounted for \$350,228 in additional receipts over the last four years and \$112,537 in receipts for fiscal year 2011 alone.

Fire and rescue charges increased slightly, by \$10,455, from \$96,438 to \$106,893 due to a slight increase in the number of calls. The county library tax subsidy from the Polk County Board of Supervisors increased \$700, although it was expected to decrease every year until this program is phased out.

All in all, given the climate of the County, the City of Grimes stood strong and continues to grow. As always, the philosophy of the City Council and City staff continues to focus on efficiency and quality of services. Good solid management practices continue to facilitate prudent uses of resources.

- Disbursements for the City's governmental activities increased 1.7%, or approximately \$221,000, from fiscal year 2010 to fiscal year 2011. The net difference in disbursements, after eliminating the effects of capital projects and debt service, is an actual increase of approximately \$228,000, from approximately \$4,149,000 in fiscal year 2010 to approximately \$4,377,000 in fiscal year 2011. Spending for the public safety function increased from \$1,267,021 to \$1,342,355. Some of this increase can be accounted for by the increase in the Polk County Sheriff's contract. During the next

three years, the City of Grimes and Polk County have contracted in an agreement whereby the City will stair step increase its contributions to the County so the County isn't contributing as high of a percentage of the disbursements of this contract. This first year resulted in an increase of \$53,186 and the second year increased \$71,093. The City of Grimes also hired an additional full time paramedic/fire fighter in fiscal year 2010, increasing the current staff to three full time and an additional full time-equivalent paramedic/fire fighter to be on staff during the day, for an increase in spending of \$72,233 in year 2010 and an increase in calls resulted in an increase of \$24,348 in fiscal year 2011. Engineering disbursements decreased \$25,468. The Building Department also contributed to the Metro Home Improvement Program in fiscal year 2010 which accounted for an increase of \$20,256, but because that is only paid every two years, the City paid \$4,794 in fiscal year 2011. The Metro Home Improvement Program is an owner occupied rehabilitation improvement program with the purpose to preserve the existing affordable housing stock in the participating communities.

- Public works function disbursements increased approximately \$40,000. Nothing major accounts for this increase. Small increases were noted in Street Lights, Street Department and Road Use Tax Fund. In fiscal year 2008, the City purchased the old elevator property and demolished the elevator and all of the grain storage bins in this area. The Railroad has agreed to abandon the line to just south of South 11<sup>th</sup> Street, which will eliminate seven railroad crossings. Removing the railroad tracks will save the City significant disbursements when it comes to having to repair and upgrade all of the railroad crossings. The City spent approximately \$176,000 in capital improvement funds to demolish the buildings and clean up the land. In addition, a new metro salt storage facility was constructed in the southern industrial area of Grimes. This facility will potentially reduce costs for metro cities by being able to purchase in larger bulk quantities without storage concerns. \$47,000 was disbursed in fiscal year 2009, \$38,800 in fiscal year 2010 and \$38,600 was disbursed in fiscal year 2011 as part of the City of Grimes' investment. As was consistent across the State of Iowa, snow removal costs were less significant than in 2010 with a reduction of \$34,000 in this area.
- Culture and recreation function spending increased approximately \$199,000. A majority of this increase can be accounted for in the Cemetery expansion project. This project added 704 plots to the existing cemetery, as well as paving, a gravel parking lot, seeding and a landscaping amenity for a total of \$144,139 expended in fiscal year 2011. The Library increased a little over \$22,700 due to increased staff costs, utilities and material acquisitions. Park and recreation staff costs also increased almost \$14,300. Both the Library and the park and recreation staff costs were due to increased programming and needs from the community. In fiscal year 2009, a complete upgrade to energy efficient lighting in the Grimes Community Complex (GCC) was completed at a cost of \$34,552 and the City completed a HVAC Public Improvement Project in fiscal year 2010 to completely convert the GCC's heating and cooling systems. In September 2011, the Council let an \$855,000 project to grade, irrigate, seed and extend utilities through the North Sports Complex located just west of the recently constructed North Ridge Elementary School.
- Community and economic development disbursements increased approximately \$19,000 in fiscal year 2009, mostly due to an increase in contributions from the City to the Grimes Chamber and Economic Development Organization, but decreased approximately \$48,000 in fiscal year 2010 because a \$50,000 economic development grant was disbursed in fiscal year 2009. In fiscal year 2011, disbursements increased approximately \$1,200. Whenever hotel/motel taxes increase, the amount disbursed to the Des Moines Visitors and Convention fiscal Bureau increases as well. Notable capital improvements for fiscal year 2010 include the completion of the East 1<sup>st</sup> Street improvement project, including lighting and beautification, to facilitate the development of Walmart, the YMCA and the development typically surrounding large box users. In addition, SE 37<sup>th</sup> Street was completed, which included a five inch asphalt overlay to

extend the life of the road until a complete rework is needed. The Gateway Drive Extension and SE 11<sup>th</sup> Street signal project was completed and the Edgewood Drive Water Main Extension, which facilitated better water pressure in the Capitol City Area, and the loop of the mains on the east side of Highway 141 was completed. The second concession stand was also completed at the South Sports Complex. The financing for this project was a combination effort between the City of Grimes and the Connor Schnell Family Memorial. The South James Street Project, using ARRA, funds was also completed. The focus in fiscal year 2011 was, and continues to be, the City's biggest road project ever, the almost \$8,000,000 East 1<sup>st</sup> Street (aka Highway 44) road improvement project. It was originally scheduled to be completed in the fall of 2010. However, due to excess rain conditions, less than 50 working days were completed. This project will provide for a center turn-only lane through the entire City and will then transition into a two lane boulevard on the western section of the developed town. The James Street intersection will have left turn-lanes and a signal will be installed at Main and E 1<sup>st</sup> Street. All in all, this will be a beautiful project when completed and will greatly enhance the transportation system of the City of Grimes. Other projects completed this year were the Cemetery expansion project and the preliminary work completed to determine if the old City well could be converted into an aquifer storage recovery well, which could greatly delay the need for a new expansion to our current water plant.

- General government function disbursements decreased approximately \$88,000. Most of this decrease is due to the large reduction in legal fees from the previous year when an assessment case went to court, as well as a decrease in General Fund liability insurance costs. Increases were noted in health insurance premiums, advertising and publications, as well as administrative salaries.
- The City's governmental activities total cash basis net assets decreased 6.9%, or approximately \$661,000, from June 30, 2010 to June 30, 2011. A majority of this decrease can be accounted for in capital projects. The proceeds from a \$10,000,000 bond issue were received in November 2009. These proceeds repaid the negative fund balances in several of the accounts within the Capital Projects Fund at June 30, 2009 and are waiting to be disbursed on the 1<sup>st</sup> Street Project, the Gateway Drive Project and the upcoming Sanitary Sewer Main Project. The projected use of the 2010 bond issue is as follows: the demolition of the elevator buildings: \$270,000, the GCC HVAC project: \$463,000, the Comprehensive Plan: \$85,000, Map updates: \$50,000, Phase I Storm Water Implementation: \$70,000, SE Capitol City Pavement repairs: \$165,000, E 1<sup>st</sup> Street Improvements 2009: \$1,300,000, SE 37<sup>th</sup> Overlay: \$625,000, S James Improvements: \$1,700,000, NW 142<sup>nd</sup> and 82<sup>nd</sup> Ave overlay: \$100,000, NW 78<sup>th</sup> overlay: \$50,000, Gateway Dr Extension: \$270,000, 1<sup>st</sup> Street (Hwy 44): \$2,772,000, Outfall Trunk Sewer: \$1,400,000, water main extension and water tower painting: \$370,000 and QT Improvements: \$22,500. The rest was either part of the bonding fees or will be disbursed on other infrastructure improvements. All of the projects intended to be financed by the \$5.2 million bond issue in 2008 have been completed. To recap, \$700,000 was received for the purchase of park land adjacent to Northridge Elementary School and the remaining \$4.5 million was for road construction for the South 19<sup>th</sup> and Little Beaver Assessment Project, the finalization of the 54<sup>th</sup> Avenue and South 6<sup>th</sup> Street Assessment Projects and the South 11<sup>th</sup> Street Assessment Project. Lastly, a new addition to the Cemetery has now been completed. The new addition features the extension of the current roads, 704 new burial plots and an added berm and landscaping to shelter it from the green space to the south which is now being used for soccer fields.

The General Fund cash balance increased \$384,023. The Special Revenue, Road Use Tax Fund cash balance increased \$306,214. The Debt Service Fund cash balance increased \$488,298 because proceeds are accumulating from developer assessments which are not sufficient for prepayment on the bond at this time and proceeds from the completion of the SE 37<sup>th</sup> Street assessment project. As well, Build America Bond

interest is credited in the Debt Service Fund. Capital Project Fund balances decreased \$1,890,004 because of the bond issue payoffs and the Highway 44 project, as noted in the previous paragraph. The other nonmajor governmental fund cash balances increased \$64,926, mostly due to an increase in employee benefits property tax receipts, county library tax and conservative spending. The City Council continues to be prudent in its budgeting and has heeded previous cautions by auditors to use fund balances versus tax collections wherever possible.

## **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefitting the City.

## **BASIS OF ACCOUNTING**

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

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

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

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

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

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

## Fund Financial Statements

The City has two kinds of funds:

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

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

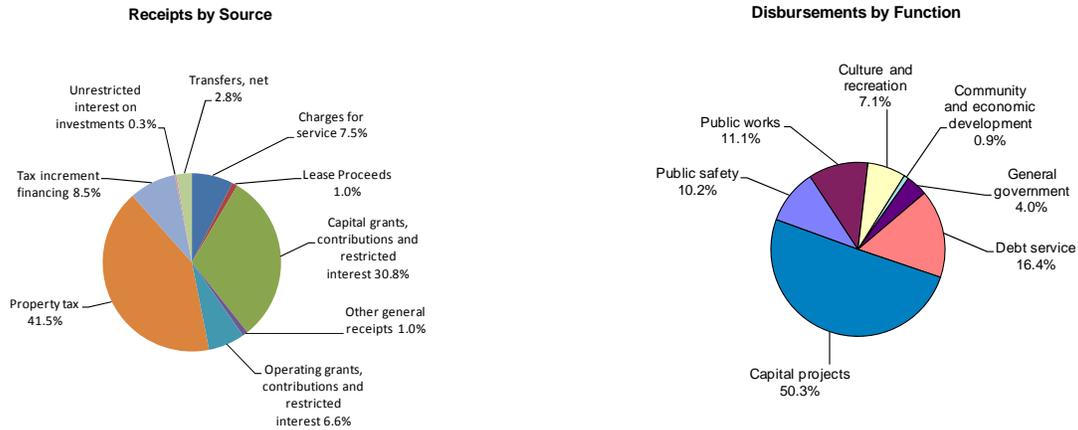
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City, and the Solid Waste Fund.

The required financial statement for proprietary funds is 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 cash balances decreased from a year ago, from approximately \$9.628 million to approximately \$8.968 million. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year ended June 30,	
	2011	2010
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 935,074	880,664
Operating grants, contributions and restricted interest	822,418	625,371
Capital grants, contributions and restricted interest	3,846,947	1,990,910
General receipts:		
Property tax	5,204,491	4,585,448
Tax increment financing	1,060,037	812,070
Unrestricted interest on investments	35,671	42,712
Bond proceeds	-	9,932,130
Lease proceeds	120,438	-
Other general receipts	121,354	91,618
Transfers, net	345,000	378,000
Total receipts and transfers	<u>12,491,430</u>	<u>19,338,923</u>
Disbursements:		
Public safety	1,342,355	1,267,021
Public works	1,461,193	1,421,463
Culture and recreation	937,496	738,238
Community and economic development	114,011	112,859
General government	521,972	609,524
Debt service	2,150,932	1,631,804
Capital projects	6,624,078	7,150,402
Total disbursements	<u>13,152,037</u>	<u>12,931,311</u>
Increase (decrease) in cash basis net assets	(660,607)	6,407,612
Cash basis net assets beginning of year	<u>9,628,441</u>	<u>3,220,829</u>
Cash basis net assets end of year	<u>\$ 8,967,834</u>	<u>9,628,441</u>



The City's total receipts and transfers for governmental activities decreased 35.4%, or \$6,847,493. The total cost of all programs and services increased 1.7%, or \$220,726. No programs were deleted this year and there continues to be an increase in the recreational programming at the Grimes Community Complex. A significant increase in tax receipts resulted from an increase in regular taxable valuation, from \$330,504,759 to 361,814,554. Regular taxable valuation increased 9.5%, or \$31,309,795. Property tax receipts, not including TIF collections, increased \$619,043. The City also completed large transportation and utility infrastructure projects this year, resulting in \$193,564 in reimbursements from developer agreements and \$3,116,538 in federal and state funding. A majority of the decrease is a result of a \$10,000,000 bond issue issued in November of 2009.

The City's property tax rates for fiscal year 2011 decreased ever so slightly, with a tax rate of \$12.9104 per \$1,000 of taxable valuation versus \$12.9206 per \$1,000 of taxable valuation for fiscal year 2010. The rollback percentage increased from 44.08% to 45.589% from fiscal year 2009 to fiscal year 2010 and increased again this year from 45.589% to 46.909%. The net result of the slight tax rate decrease and the increase in the rollback percentage resulted in a net increase in property tax to the property owner. For a home valued at \$150,000 in fiscal year 2009, the property tax decreased \$26.23 and then increased \$26.55 in fiscal year 2010. In fiscal year 2011, the difference to a property owner with a home valued at \$150,000 was an increase of \$24.84 because of the rollback increase of over 1.32% of the value of the property. The residential rollback percentage is projected to increase again for fiscal year 2012 to 48.5299% and the tax rate has decreased again slightly, to \$12.9031 per \$1,000 of taxable valuation. This nominal decrease coupled with the increase in the rollback has the result of increasing the net city taxes paid by the homeowner of that same \$150,000 home by \$30.83. Over the course of three years, the tax impact has increased slightly. Note, however, the tax levy to property owners may still increase at a higher percentage due to an overall increase in the valuation of their property or an increase in school, county or other tax levies.

The cost of all governmental activities this year was approximately \$13.152 million compared to approximately \$12.931 million last year. However, as shown in the Statement of Activities and Net Assets on pages 24-25, the amount taxpayers ultimately financed for these activities was approximately \$7.548 million because \$935,074 of the cost was paid by those directly benefiting from the programs. \$822,418 was paid by other governments and organizations which subsidized certain programs with operating grants, contributions and restricted interest and capital grants, contributions and restricted interest (developer agreements, etc.) paid an additional \$3,846,947. Overall, the City's governmental activities receipts and transfers, including intergovernmental aid and fees for service, decreased in fiscal year 2011 from \$19,338,923 to \$12,491,430 principally due to the effects of the approximately \$10 million received from a bond issue in November 2009, part of which had been expended in fiscal year 2011, thus decreasing the balance. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$6,265,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 1,631,817	1,735,724
Sewer	1,146,911	1,190,661
Solid waste	227,419	213,825
General receipts:		
Unrestricted interest on investments	33	65
Total receipts	<u>3,006,180</u>	<u>3,140,275</u>
Disbursements and transfers:		
Water	1,548,331	1,315,857
Sewer	947,920	849,349
Solid waste	283,480	242,950
Transfers, net	345,000	378,000
Total disbursements and transfers	<u>3,124,731</u>	<u>2,786,156</u>
Increase (decrease) in cash basis net assets	(118,551)	354,119
Cash basis net assets beginning of year	<u>2,600,751</u>	<u>2,246,632</u>
Cash basis net assets end of year	<u>\$ 2,482,200</u>	<u>2,600,751</u>

Total business type activities receipts for fiscal year 2011 were approximately \$3.0 million compared to approximately \$3.1 million last year. This slight decrease was due primarily to a decrease in water and sewer tapping fees which accompany new construction, as well as a decrease in water usage by a new industry, Lindweld, despite an overall increase in users.

The cash balance decreased \$118,551 from the prior year because of the need to use existing cash balances for operations and capital improvements in lieu of raising rates or issuing revenue bonds. Receipts decreased 4.3% and disbursements and transfers increased 12.2%. Thus, the prior year's increase in net assets of \$354,119 was reversed by a decrease in water receipts, a decrease in sewer receipts and decreases in water and sewer tapping fees from new construction. Total disbursements and net transfers for the fiscal year increased from approximately \$2.786 million last year to approximately \$3.125 million for fiscal year 2011. This was an increase of \$338,575, or 12.2%.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Grimes completed the year, its governmental funds reported a combined fund balance of \$8,967,834, a decrease of \$660,607 from last year's total of \$9,628,441. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$384,023 over the prior year to \$3,447,223. This increase was due to the increase in total valuation resulting in an increase in property tax received. General Fund receipts increased \$277,770 and disbursements increased \$157,567. The City continues to monitor taxes and ending fund balances to determine the ideal balance between having money in reserve for unforeseen emergencies versus keeping taxes at a consistent level.
- The Special Revenue, Road Use Tax (RUT) Fund cash balance decreased \$489,270 during fiscal year 2009 to \$53,823, \$8,683 during fiscal year 2010 to \$45,140 and increased \$306,213 to \$351,353 in fiscal year 2011. The original decrease was due largely to the purchase of the old elevator building and property along West 1<sup>st</sup> Street (Highway 44) which will be needed for right-of-way for the expansion of West 1<sup>st</sup> Street to a 3-lane roadway and for the cleanup and demolition of this entire area. The

ending balance of \$351,353 is being held to facilitate road construction projects in fiscal year 2012. The City is committed to the continued use of road use tax receipts for major construction projects versus operation of the street department.

- The Special Revenue, Tax Increment Financing Fund was established years ago to finance projects whereby an investment by the City in infrastructure results in an overall larger tax base. The premise of the use of TIF can be illustrated in this example. The City of Grimes designated the area east of Little Beaver to Highway 141 and south to Urbandale as an urban renewal area. The City passed bonds and used TIF financing to pay for the sewer, water, road improvements and the signals at 54<sup>th</sup> and Highway 141. As a result of that investment, this area has been converted from fields into businesses. The increase in property tax obtained from the growth in this urban renewal area is first used to pay off the debt incurred to extend the utilities to this area. After the debt has been paid, the City, County and School District gain the benefit of the increased property tax. The resulting benefit to the citizens of Grimes and the Dallas Center-Grimes School District is an increase in the valuation of the City, resulting in increased property tax to provide services. Traditionally, the City Council has only used TIF financing to promote commercial or industrial development. These are taxed at 100% of their valuation versus residential valuation which is taxed at 46.91% for fiscal year 2011. The City is currently certifying TIF debt for the payment of the utilities extended in the example above, transportation, trail system planned improvements, Sports Complex North, signals at Highway 141 and NW 62<sup>nd</sup>/SE 19<sup>th</sup>, the fire station addition, Sports Complex and the paving of James Street. The area east of Highway 141 South and south of South 11<sup>th</sup> Street was amended into the urban renewal area so TIF financing could be used for the signals at Highway 141 and NW 62<sup>nd</sup>/SE 19<sup>th</sup> and for the South 11<sup>th</sup> Street project. The City has also completed the process of amending the remaining portion of the annexed area into the urban renewal area to give the City ultimate flexibility for the use of TIF for economic development as well as improvements to lower valued properties. TIF has recently been used in developer agreements whereby the developer fronts the money for the infrastructure improvements. The developer is then repaid its investment from the property tax generated from the increment in valuation caused by development of the property. The developer is given the incentive to repay its self-incurred debt from the timely development of the property.

At the end of the fiscal year, the TIF cash balance was \$35,792, a decrease of \$14,063 from the previous year. The City only certifies enough TIF receipts to pay off the current year's portion of the debt each year. If the resulting property tax generated from the increment in valuation are more than needed to make the bond payments, the City, County and School District receive the benefit of the tax revenue.

- The Debt Service Fund cash balance increased \$146,566 to \$1,283,989 during fiscal year 2009, increased to \$1,375,063 during fiscal year 2010 and has now increased \$488,298 to \$1,863,361. The increases are due to the receipt of developer reimbursement proceeds from the South 19<sup>th</sup> and Little Beaver assessment projects, as well as the 54<sup>th</sup> Ave. Road assessment project, the South 6<sup>th</sup> Street assessment project, the SE 37<sup>th</sup> Street assessment project and the East 1<sup>st</sup> Street assessment project. The developer reimbursement proceeds will be held until the bonds can be called.
- The Capital Projects Fund cash balance increased from \$(975,129) to \$4,769,777 in fiscal year 2010 and has now decreased \$1,890,004 to \$2,879,773 in fiscal year 2011. The original increase was due to the timing of the passage of a \$10 million bond issue which paid back the negative balance in this fund and is being held for the East 1<sup>st</sup> Street (Hwy 44) and the Trunk Sewer Main projects. The subsequent decrease is due to expenditures on the East 1<sup>st</sup> Street (Highway 44) project.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Water Fund cash balance decreased \$116,481 to \$1,190,053, due primarily to water receipts decreasing from fiscal year 2010 to fiscal year 2011 due to industry reductions as well as operating costs increasing. In addition, the balance allowed \$200,000 to be transferred to the Capital Projects Fund. Higher plant repair and maintenance, chemical costs and meters and accessories account for the increase in disbursements of \$232,474. Water and sewer tapping fees are used exclusively to finance maintenance and replacement of existing lines.
- The Enterprise, Sewer Fund cash balance decreased \$1,009 from \$1,288,135 to \$1,287,126. Receipts decreased \$43,750 and disbursements increased \$98,571. This balance also allowed for \$200,000 to be transferred to the Capital Projects Fund.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. This amendment was approved on May 24, 2011. This amendment provided for an increase in receipts for intergovernmental in the amount of \$190,230 for road use tax. All of the remaining programs were estimated to remain the same. The budget amendment also provided for an increase in disbursements of \$137,940. This increase was a variety of additions and deductions from what was originally budgeted. Public works function disbursements increased \$130,000, mainly in the Road Use Tax Fund for increased asphalt and road construction. Culture and recreation function disbursements increased \$62,000 to account for increased programming and improvements to the Grimes Community Complex. General government function disbursements decreased \$78,000 due to an anticipated reduction in legal fees and insurance costs for tort liability. Debt service function disbursements increased \$100,000 due to an anticipated loan to the IOOF building renovations. Capital project function disbursements decreased \$250,000 due to a delay in downtown renovations. Lastly, disbursements for all three business type activities, water, sewer and solid waste, increased approximately \$165,000. Water and sewer disbursements increased because of increases in debt service payments and solid waste disbursements increased because of increases in household services and an increase in special collections for yard waste pickups and the spring cleanup. The City traditionally amends the budget in May of the fiscal year because the exact timing and payment of capital improvement projects is seldom known at the time the original City budget is certified in March of the previous year.

When all was said and done and the final numbers were calculated as of June 30, 2011, the variations between what was budgeted and what was actually received or disbursed are as follows. First of all, the culture and recreation function had another great year. The function was approximately \$81,000 under budget because of savings in utility costs, mowing, fertilizer and weed control. In 2009, there was a substantial investment in grub mitigation. The expansion of programming for the overall park and recreation system has been phenomenal, as well as the interest in youth and adult programs. Gym space is once again an issue as more and more people are interested in indoor sports in the colder months when being outside isn't as desirable. The public safety function disbursed \$173,674 less than the final budgeted amount, mainly due to the decrease in billable engineering disbursements as indicated in the financial highlights. Costs for infrastructure and plat inspections were down this year. Non-billable engineering disbursements were also down. Furthermore, the Polk County Sheriff's contract and traffic safety were down. The public works function came in under the budget projection and disbursed all but \$65,374, or 4.3%, of the amount budgeted. The street department itself was under budget approximately \$24,000. The Special Revenue, Road Use Tax Fund also disbursed approximately \$45,000 less than budgeted. The street light category reversed the trend and disbursed approximately \$4,000 more than budgeted. The debt service function also came in under budget by \$92,183. The debt service function amount originally certified for the new IOOF building renovations of \$100,000 was not expended. The capital projects function typically comes in under budget as the progress on these large projects is hard to estimate due to weather conditions or other outside factors beyond the normal control of the contractors. The capital projects function came in \$1,560,922 under budget. Water, roads, Grimes Community Complex, parks and sewer all experienced major variances. The business type activities function, ie, water, sewer and solid waste, came in

\$389,569 under budget. The Water Department accounted for \$105,741 of this variance. Plant repairs, building and grounds, testing costs, sales tax, utilities, chemicals, office expense, meters and accessories and equipment and tools all came in lower than originally estimated. Lime removal was \$15,700 over budget, but savings in the other areas superseded this overage. The Sewer Utility accounted for \$89,210 of this variance. \$100,000 had been budgeted for new computer billing software, but only \$29,500 had been disbursed as of June 30. Also, employee wages, equipment maintenance, contracts, line maintenance and utilities also came in under budget. Sewer tapping fees also came in under budget at \$169,679 less disbursed than originally anticipated due to a proposed developer agreement payoff that wasn't negotiated. Solid waste also came in under budget by \$18,020. Overall, spending was \$2,432,179 less than the final budgeted amounts.

The budget to year-end receipts was also reviewed and the results are as follows. There always seems to be a little variation in property tax budgeted versus those received because of the timing of the payments and the actual payments of property tax. This accounts for the difference of \$271,511. Obviously, if someone doesn't pay their property tax, the City doesn't receive the money, at least until the property tax is finally paid in one manner or another. As well, the Debt Service Fund accounts for \$152,905 because of special assessment payments made by developers who don't want to pay the interest if the special assessment is certified and paid with their property tax. Franchise tax, mobile home tax, utility replacement and hotel/motel tax all vary depending on the actual underlying receipt received for those services. Other city tax was down \$39,689 because of reductions in mobile home tax and utility replacement tax. Licenses and permits were over budget by \$29,687 as more permits were pulled in fiscal year 2011. Use of money and property was over the amount budgeted by \$51,878, mostly due to an economic development loan which was paid off in its entirety before it was due. Intergovernmental was \$3,421,896 more than budgeted due to the receipt of \$50,000 in ARRA payments for the South James Street road construction project and an additional \$162,000 in road use tax funds, \$25,600 of which was from I-Jobs money. In addition, \$3,066,538 in Federal and State grants was received for the Highway 44 project, as well as \$298,750 in RISE grants for the SE 11<sup>th</sup> Street signal project and the Gateway Drive extension. Charges for service was also under by \$113,942. Water, sewer and solid waste collections were all lower than originally estimated due to a decrease in industry usage. Fire and rescue actually received \$13,107 less in fees than anticipated as the number of ambulance and fire calls seem to fluctuate from year to year. The City entered into a new agreement with a collection agency in early 2009 to facilitate the percentage of fees actually collected for these calls. The City Council will continue to consider the hardship cases and will waive fees if the situation warrants it. There have been some write-offs this year. Lastly, parks exceeded their receipt expectations by \$28,657. Programming continues to increase as more and more people are taking advantage of the services the City is offering. Special assessments were \$173,936 more than budgeted due to the timing of capital projects and when the developers pay their portion of the assessments. Road development fees are contingent upon the timing of projects as well. Miscellaneous receipts were \$528,873 more than budgeted. \$431,659 was received from developer payments and penalties and insurance reimbursement for the SE 11<sup>th</sup> Street signal project and the extension of SE Gateway Drive project, plat development and a lightning strike at the well fields. Also, \$55,674 was received from liquor payments, miscellaneous sales, refunds, cemetery lot sales, ticket fines, state assistance and library fees. Overall, the City received \$4,310,087 more than budgeted.

## DEBT ADMINISTRATION

At June 30, 2011, the City had approximately \$23.143 million in bonds and other long-term debt outstanding as compared to approximately \$24.934 million in 2010, as shown below.

Outstanding Debt at Year-End		
(Expressed in Thousands)		
	June 30,	
	2011	2010
General obligation bonds	\$ 16,065	17,320
Revenue bonds	6,745	7,288
Loan agreements	217	285
Lease-purchase agreements	116	41
Total	\$ 23,143	24,934

Debt increased in fiscal year 2010 because of the \$10,000,000 bond issue passed in November 2009. As stated above, this bond was passed to finance the following projects: the demolition of the elevator buildings, \$270,000, the GCC HVAC project, \$463,000, the Comprehensive Plan, \$85,000, Map updates, \$50,000, Phase I Storm Water Implementation, \$70,000, SE Capitol City Pavement repairs, \$165,000, E 1<sup>st</sup> Street Improvements 2009, \$1,300,000, SE 37<sup>th</sup> Overlay, \$625,000, S James Improvements, \$1,700,000, NW 142<sup>nd</sup> and 82 Ave overlay, \$100,000, NW 78<sup>th</sup> overlay, \$50,000, Gateway Drive Extension, \$270,000, 1<sup>st</sup> Street (Highway 44), \$2,772,000, Outfall Trunk Sewer, \$1,400,000, water main extension and water tower painting, \$370,000 and QT Improvements, \$22,500. The rest was either part of the bonding fees or will be expended on other infrastructure improvements. Other than the increase for the bond issue in fiscal year 2010, the outstanding debt has decreased because the required payments were made. Prior year debt includes a \$5.2 million bond issue in fiscal year 2008. \$700,000 of the proceeds from this issue was used to purchase parkland south and west of the new Northridge Elementary School. This purchase helped to facilitate a joint driveway with the school which will also be extended to service the parkland. As this parkland is developed, the City and school will develop another 28E agreement for the use of this property similar to what is already in place for South Prairie Elementary School and the current Sports Complex. The remaining \$4.5 million was used to finance the 54<sup>th</sup> Avenue, South 6<sup>th</sup> Street and South 11<sup>th</sup> Street road improvement projects. In addition, the City continues to certify TIF debt to lower the amount of property tax needed for debt service. The amount of TIF debt certified for development and rebate agreements subject to annual appropriation at June 30, 2011 was approximately \$1,074,100.

The City continues to carry a general obligation bond rating of A3 assigned by Moody's Investors Service to the City's debt in fiscal year 2008, which was recently reconfirmed during an analysis completed before the issuance of \$10,000,000 of bonds issued in fiscal year 2010. During an interview with the Moody's analyst, she noted she would take a recommendation for an upgrade to A2 to the Review Committee. However, she wasn't sure, given the current economic climate, if that would be approved. It wasn't approved, but the Committee continued to note the City's growing tax base, stable financial position and above average but manageable amount of rapidly retiring debt. The City's outstanding general obligation and TIF debt of approximately \$17.13 million is significantly below its constitutional debt limit of approximately \$32.7 million.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Grimes' elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and fees charged for various City activities. One of the factors the City Council will have to consider is a potential increase in garbage rates. In the past, tax revenue has been used to subsidize this Enterprise Fund. As well, the City Council is considering a Storm Water Utility Fee. This fee will be used to pay for the NPDES Phase II Stormwater Regulations as well as much needed water way improvements. As more and more regulations are being put in place to regulate the water going into streams and lakes, the costs to manage these requirements continue to escalate. Most of the metro cities have a storm water utility in place which pays for these costs.

The City's valuation continues to significantly increase. Valuation, excluding TIF designated areas, rose from \$481,415,782 in fiscal year 2009 to \$548,084,271 for the fiscal year 2010 budget, \$622,875,532 in fiscal year 2011 and now is \$653,675,782. This is an increase of 29% over fiscal year 2008, 13.6%, or \$74,791,261, over fiscal year 2009, and 4.9%, or \$30,800,250, over fiscal year 2010. General property tax receipts are projected to increase \$212,458. Building permits have remained relatively steady, with 131 permits issued in fiscal year 2005 with a total value of \$21,646,778. In fiscal year 2006, there were 102 single-family permits issued with a total value of \$23,445,036 and 120 single family permits were issued in fiscal year 2007 with a total value of \$15,254,370 for new construction. In fiscal year 2008, there were 138 single family permits valued at \$17,342,083, 76 multi-family permits valued at \$7,794,715 and 23 commercial permits valued at \$9,781,523. In fiscal year 2009, there were 92 single family permits valued at \$12,937,435, 16 multi-family permits valued at \$1,260,000 and four commercial permits valued at \$2,321,915. In fiscal year 2010, there were 228 single family permits valued at \$32,040,289, 116 multi-family units valued at \$7,719,604 and three commercial permits valued at \$10,108,383. In fiscal year 2011, there were 98 single family permits valued at \$13,735,402, seven multi-family permits valued at \$725,322 and six commercial permits valued at \$13,319,979. Consistent with all of the budget variances due to the downturn in building, these numbers reaffirm the decreases. It should be noted most of the plats are being built out, but there are a few on the horizon and a few which are presently being negotiated. The market is still skeptical and conservative with speculative building and construction. The City conducted a special census in September 2005 which resulted in an increase in population of 764 people. This is a growth rate of 15% since 2000. This increase will result in an increase of over \$400,000 in road use tax receipts to be invested in the transportation system.

In addition, the economy is a factor. This is from the U.S. Census Bureau from the 2000 Census. The 2010 Census information should be posted by the end of the year. We do know our population increased 61.8% to 8,246! This makes us the 8<sup>th</sup> fastest growing city in the metro area.

<b>Characteristics</b>	<b>Number</b>	<b>Percent</b>	<b>U.S.</b>
In labor force (population 16 years and over)	3,006	83.8	63.9%
Mean travel time to work in minutes (population 16 years and over)	20.0	(X)	25.5
Median household <a href="#">income</a> (dollars)	56,275	(X)	41,994
Median family income (dollars)	60,847	(X)	50,046
Per capita income (dollars)	23,712	(X)	21,587
Families below poverty level	35	2.4	9.2%
Individuals below poverty level	166	3.3	12.4%
<b>Housing Characteristics</b>	<b>Number</b>	<b>Percent</b>	<b>U.S.</b>
Single-family owner-occupied homes	1,119	100.0	
Median value (dollars)	119,500	(X)	119,600
Median of selected monthly owner costs	(X)	(X)	
With a <a href="#">mortgage</a>	1,123	(X)	1,088
Not mortgaged	348	(X)	295

(X) Not applicable.

Source: U.S. Census Bureau, Summary File 1 (SF 1) and Summary File 3 (SF 3)

The City of Grimes currently has continuing projects under construction, as follows: The \$8.0 million project for the widening and complete replacement of East/West 1<sup>st</sup> Street (Highway 44) started in May of 2010 has experienced unexpected delays with the above average rainfalls. The eastern half of this improvement project was delayed and will be completed by November of this year. The South James Street project was completed. The NE Edgewood Drive water main project, the Gateway Drive extension and the signals at SE 11<sup>th</sup> Street are now completed. Projected to start yet this fall are the Outfall Trunk sewer project needed to meet the capacity requirements in the eastern sewer extending from the Wastewater plant along Taylor Estates and the water way improvements needed to increase the capacity of the creek for large storm events. In addition, FEMA projects were completed this year from the \$46,312 received from the Iowa Department of Public Defense, Iowa Homeland Security and Emergency Management Division for damage caused by the floods of 2010. Over the last three years, the demolition of the elevator buildings, the GCC HVAC project, the Comprehensive Plan, Map updates, Phase I Storm Water Implementation, SE Capitol City Pavement repairs, E 1<sup>st</sup> Street Improvements 2009, SE 37<sup>th</sup> Overlay, NW 142<sup>nd</sup> and 82<sup>nd</sup> Ave overlay, NW 78<sup>th</sup> overlay, water tower painting, QT Improvements, the South 19<sup>th</sup> Street Extension/Little Beaver Assessment, Grimes Mapping, Phase II Storm Water Permit, Grimes Storm Sewer Mapping, Xenia Water Agreement, South 6<sup>th</sup> Street Improvements and Destination Drive street improvements have all been completed. A new Historical room was completed as an Eagle Scout project and a church is leasing and has renovated three rooms and now will be adding a fourth which will be open to public use for receptions or large meetings. The City also completed a project adding 704 new plots to the existing Sunnyhill Cemetery. The project also included the extension of the existing roads, a berm and landscaping, as well as a new parking lot on the south side of the area. The green space to the south of the existing cemetery will be used for soccer and flag football practices. In September 2011, the City Council let a \$855,000 project for the grading, seeding, and irrigation of the new North Sports Complex. This will add more softball and soccer fields to help alleviate an already overloaded South Sports Complex and to keep up with the rapid growth of one of the fastest growing cities in the State of Iowa.

In a prior year, the City of Grimes completed the annexation of 974 acres in Dallas County. In November 2006, the City completed its first voluntary annexation, which included a portion being involuntarily annexed. Also, 169.71 acres were annexed on the NE corner of Highway 141 and Highway 44. In addition, two smaller annexations were completed, both being less than one acre. The addition of over 1,145 acres puts the City in a strong position for economic growth. The City continues to look at additional areas to the west and north to facilitate future development.

Just recently, the City Council extended a ten year non-annexation agreement with the City of Urbandale. This agreement was basically the extension of the previous agreement. However, the westerly line was extended one mile due west. In the next few years, the non-annexation agreements with the cities of Johnston, Granger, Dallas Center and Waukee will be renegotiated to determine future boundary lines. Johnston and Grimes have both agreed upon the border on the east of Grimes. All land along the east edge of Grimes is contiguous with Johnston or Urbandale, as well as land to the south of Grimes.

These indicators were taken into account when adopting the budget for fiscal year 2012. Amounts available for appropriation in the general operating budget for governmental activities are approximately \$7.891 million, relatively steady from the final fiscal year 2011 actual operating and debt service receipts of \$8.456 million when you take into account the City received \$322,159 more in special assessment revenue than is anticipated for fiscal year 2012. The remaining difference is also accounted for in Debt Service Fund receipts as bond payments decrease over time. Property tax (benefiting from the increases in assessed valuations) provide for increases in receipts in the General Fund of over \$212,000. \$180,571 less in property tax for debt service was certified because, as stated above, the bond payments decrease over time. As the principal is paid down, there is less paid in interest. Also, \$115,240 more in TIF was certified. Licenses and permits are budgeted to be approximately \$30,000 less than last year as the housing market is still relatively unstable and our plats are being "built-out", thus decreasing the number of available lots. The City Council also levied \$99,906 more in employee benefits to mitigate the overall tax impact on the General Fund and keep the tax rate the same. Water receipts are

budgeted higher than fiscal year 2011 by \$234,656. However, this amount may again be too high as the receipts in fiscal year 2011 came in lower than originally estimated. Sewer is budgeted lower than the actual receipts in fiscal year 2011. All of these numbers will be consistently monitored and amended if necessary. As always, when the budget is certified in March of each year, the actual numbers of the current budget aren't known so receipts are always estimated conservatively. Historically, actual receipts have exceeded budgeted receipts, with limited exceptions. The City will use these receipts to finance programs it currently offers, complete the capital improvement projects in process, initiate new capital improvement projects and plan for future projects. Budgeted disbursements, disregarding capital improvements and debt service, are expected to rise \$635,380 from actual disbursements of approximately \$4.364 million to approximately \$4.999 million, or 14.6%. This change is mainly due to an increase in the public safety function as follows: the Polk County Sheriff's contract of \$77,000, an increase of \$132,300 for fire and rescue due to an increase in personnel, workers compensation and associated operating costs and an increase in inspection costs of \$68,000. This increase is in anticipation of an increase in building. The Fire Department now has three full time and one full-time equivalent on staff during the day. The public works function is also increasing significantly in the amount of \$236,810. This increase is mainly due to the need to hire two additional employees in the public works department to keep up with the demand of increased streets, infrastructure and storm water requirements. In addition road use tax also increased to facilitate more street improvements which will be completed by city personnel. The culture and recreation function increased slightly, by \$2,772, mainly due to increasing operational costs of the park system as a whole and wages to have the Grimes Community Complex staffed during all normal operating hours. In fiscal year 2011, \$144,139 of the cost was due to an addition to the cemetery, adding 704 more plots, landscaping, road extensions and a parking lot. All of these disbursements will be expended solely from the Cemetery Account. The general government function is also expected to increase \$97,869. Economic development is receiving \$17,547 in additional funds to disburse in an effort to stay competitive in the personnel wages with other cities of similar size and growth potential. Legal fees are also budgeted at \$56,000 more than what was expended in fiscal year 2011, mostly because they are always an unknown when originally estimated. The City's tort liability insurance is also budgeted for \$18,500 more than what was expended in fiscal year 2011. If all of the estimates are realized, the City's budgeted General Fund cash balance is expected to decrease approximately \$322,000.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kelley Brown, City Administrator, 101 North Harvey, Grimes, Iowa 50111 or by e-mail at [kelbrown@ci.grimes.ia.us](mailto:kelbrown@ci.grimes.ia.us).

**City of Grimes**

## **Basic Financial Statements**

City of Grimes

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2011

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 1,342,355	481,420	64,486	-
Public works	1,461,193	-	628,063	-
Culture and recreation	937,496	130,426	32,292	-
Community and economic development	114,011	-	61,330	-
General government	521,972	13,942	36,245	-
Debt service	2,150,932	273,936	2	148,223
Capital projects	6,624,078	35,350	-	3,698,724
Total governmental activities	13,152,037	935,074	822,418	3,846,947
Business type activities:				
Water	1,548,331	1,631,817	-	-
Sewer	947,920	1,146,911	-	-
Solid waste	283,480	227,419	-	-
Total business type activities	2,779,731	3,006,147	-	-
Total	\$ 15,931,768	3,941,221	822,418	3,846,947
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Lease proceeds				
Unrestricted interest on investments				
Other general receipts				
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				
<b>Cash Basis Net Assets</b>				
Restricted:				
Debt service				
Streets				
Capital projects				
Urban renewal purposes				
Other purposes				
Unrestricted				
<b>Total cash basis net assets</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(796,449)	-	(796,449)
(833,130)	-	(833,130)
(774,778)	-	(774,778)
(52,681)	-	(52,681)
(471,785)	-	(471,785)
(1,728,771)	-	(1,728,771)
(2,890,004)	-	(2,890,004)
(7,547,598)	-	(7,547,598)
-	83,486	83,486
-	198,991	198,991
-	(56,061)	(56,061)
-	226,416	226,416
(7,547,598)	226,416	(7,321,182)
3,484,333	-	3,484,333
1,720,158	-	1,720,158
1,060,037	-	1,060,037
120,438	-	120,438
35,671	33	35,704
121,354	-	121,354
345,000	(345,000)	-
6,886,991	(344,967)	6,542,024
(660,607)	(118,551)	(779,158)
9,628,441	2,600,751	12,229,192
\$ 8,967,834	2,482,200	11,450,034
\$ 1,863,361	146,827	2,010,188
351,353	-	351,353
2,879,773	-	2,879,773
35,792	-	35,792
393,172	-	393,172
3,444,383	2,335,373	5,779,756
\$ 8,967,834	2,482,200	11,450,034

City of Grimes

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

As of and for the year ended June 30, 2011

	Special Revenue		
	General	Road Use Tax	Tax Increment Financing
Receipts:			
Property tax	\$ 3,069,370	-	-
Tax increment financing	-	-	1,060,037
Other city tax	226,812	-	-
Licenses and permits	261,512	-	-
Use of money and property	49,613	-	-
Intergovernmental	57,712	628,063	-
Charges for service	291,711	-	-
Special assessments	-	-	-
Miscellaneous	55,673	63,498	-
Total receipts	4,012,403	691,561	1,060,037
Disbursements:			
Operating:			
Public safety	1,317,300	-	-
Public works	978,218	482,975	-
Culture and recreation	882,958	-	-
Community and economic development	104,011	-	-
General government	521,971	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	3,804,458	482,975	-
Excess (deficiency) of receipts over (under) disbursements	207,945	208,586	1,060,037
Other financing sources (uses):			
Lease proceeds	-	120,438	-
Operating transfers in	231,078	-	-
Operating transfers out	(55,000)	(22,811)	(1,074,100)
Total other financing sources (uses)	176,078	97,627	(1,074,100)
Net change in cash balances	384,023	306,213	(14,063)
Cash balances beginning of year, as restated	3,063,200	45,140	49,855
Cash balances end of year	\$ 3,447,223	351,353	35,792
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Debt service	\$ -	-	-
Streets	-	351,353	-
Capital projects	-	-	-
Urban renewal purposes	-	-	35,792
Other purposes	-	-	-
Unassigned	3,447,223	-	-
Total cash basis fund balances	\$ 3,447,223	351,353	35,792

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
1,720,158	-	244,189	5,033,717
-	-	-	1,060,037
-	-	-	226,812
-	-	-	261,512
2	35,350	61,330	146,295
-	3,415,288	54,862	4,155,925
-	-	-	291,711
273,936	-	-	273,936
148,223	283,436	25,217	576,047
2,142,319	3,734,074	385,598	12,025,992
-	-	25,055	1,342,355
-	-	-	1,461,193
-	-	54,539	937,497
-	-	10,000	114,011
-	-	-	521,971
2,150,932	-	-	2,150,932
-	6,624,078	-	6,624,078
2,150,932	6,624,078	89,594	13,152,037
(8,613)	(2,890,004)	296,004	(1,126,045)
-	-	-	120,438
496,911	1,000,000	-	1,727,989
-	-	(231,078)	(1,382,989)
496,911	1,000,000	(231,078)	465,438
488,298	(1,890,004)	64,926	(660,607)
1,375,063	4,769,777	325,406	9,628,441
1,863,361	2,879,773	390,332	8,967,834
1,863,361	-	-	1,863,361
-	-	-	351,353
-	2,879,773	-	2,879,773
-	-	-	35,792
-	-	393,172	393,172
-	-	(2,840)	3,444,383
1,863,361	2,879,773	390,332	8,967,834

**Exhibit C**

## City of Grimes

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

As of and for the year ended June 30, 2011

	Enterprise			Total
	Water	Sewer	Nonmajor Solid Waste	
Operating receipts:				
Charges for service	\$ 1,631,817	1,146,911	227,419	3,006,147
Operating disbursements:				
Business type activities	1,124,469	508,151	283,480	1,916,100
Excess (deficiency) of operating receipts over (under) operating disbursements	507,348	638,760	(56,061)	1,090,047
Non-operating receipts (disbursements):				
Interest on investments	33	-	-	33
Debt service	(423,862)	(439,769)	-	(863,631)
Net non-operating disbursements	(423,829)	(439,769)	-	(863,598)
Excess (deficiency) of receipts over (under) disbursements	83,519	198,991	(56,061)	226,449
Other financing sources (uses):				
Operating transfers in	-	-	55,000	55,000
Operating transfers out	(200,000)	(200,000)	-	(400,000)
Total other financing sources (uses)	(200,000)	(200,000)	55,000	(345,000)
Net change in cash balances	(116,481)	(1,009)	(1,061)	(118,551)
Cash balances beginning of year	1,306,534	1,288,135	6,082	2,600,751
Cash balances end of year	\$ 1,190,053	1,287,126	5,021	2,482,200
<b>Cash Basis Fund Balances</b>				
Reserved for debt service	\$ 105,237	41,590	-	146,827
Unreserved	1,084,816	1,245,536	5,021	2,335,373
Total cash basis fund balances	\$ 1,190,053	1,287,126	5,021	2,482,200

See notes to financial statements.

City of Grimes

Notes to Financial Statements

June 30, 2011

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

The City of Grimes is a political subdivision of the State of Iowa located in Polk County. It was first incorporated in 1904 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, sewer and garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Grimes 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 Grimes (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

Grimes Fire and Rescue Association is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the nonmajor governmental funds.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Polk County Assessor's Conference Board and the Polk County Joint E911 Service Board.

The City also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Des Moines Area Metropolitan Planning Organization and the Joint County/Municipal Disaster Services and Emergency Planning Administration.

B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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 category. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

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

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Tax Increment Financing Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

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 Fund is used to account for all resources used in the acquisition and construction of capital facilities.

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

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.

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

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:

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.

Unassigned – All amounts not included in other classifications.

E. Budgets and Budgetary Accounting

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

**(2) Cash and Pooled Investments**

The City's deposits in banks 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.

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$59,097 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City's investment in the Iowa Public Agency Investment Trust is unrated.

**(3) Bonds Payable and Other Financing Arrangements**

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

Year Ending June 30,	General Obligation					
	Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 1,295,000	695,815	563,000	264,195	1,858,000	960,010
2013	1,335,000	653,348	587,000	242,180	1,922,000	895,528
2014	1,385,000	607,285	609,000	219,219	1,994,000	826,504
2015	1,430,000	555,875	632,000	195,386	2,062,000	751,261
2016	1,490,000	499,125	657,000	170,646	2,147,000	669,771
2017-2021	6,120,000	1,621,880	3,697,000	445,951	9,817,000	2,067,831
2022-2024	3,010,000	296,980	-	-	3,010,000	296,980
Total	\$ 16,065,000	4,930,308	6,745,000	1,537,577	22,810,000	6,467,885

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$5,976,000 of water revenue bonds issued in December 2000. Proceeds from the bonds provided financing for the construction of water main extensions. The bonds are payable solely from water customer net receipts and are payable through 2021. Annual principal and interest payments on the bonds are expected to require less than 84% of net receipts. The total principal and interest remaining to be paid on the bonds is \$4,224,254. For the current year, principal and interest paid and total customer net receipts were \$421,967 and \$507,348, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$5,372,000 of sewer revenue bonds issued in December 2000. Proceeds from the bonds provided financing for the construction of improvements to the sewer treatment plant. The bonds are payable solely from sewer customer net receipts and are payable through 2021. Annual principal and interest payments on the bonds are expected to require less than 64% of net receipts. The total principal and interest remaining to be paid on the bonds is \$4,058,323. For the current year, principal and interest paid and total customer net receipts were \$406,457 and \$638,760, respectively.

The resolutions providing for the issuance of the water and sewer revenue bonds issued under a loan agreement between the City of Grimes, the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. include the following provisions:

- (1) The bonds will only be redeemed from the future earnings of the enterprise activities and the bond holders hold a lien on the future earnings of the funds.
- (2) Sufficient monthly transfers shall be made to separate water and sewer revenue bond sinking accounts for the purpose of making the bond principal and interest payments when due.
- (3) User rates shall be established at a level which produce and maintain net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

Loan Agreements

On March 22, 2005, the City entered into a loan agreement with a local bank to borrow an amount not to exceed \$500,000 to purchase a fire truck. The amount actually borrowed totaled \$498,681. The loan bears interest at rates ranging from 3.05% to 4.58% per annum and matures on July 1, 2014. The City began making annual principal payments of \$50,000 plus interest beginning June 1, 2006. The loan will be repaid from future collections of a debt service levy on all taxable property in the City.

On September 6, 2005, the City entered into a loan agreement with a bank to borrow \$119,522 to purchase an ambulance. The loan bears interest at 4.79% per annum and matures on September 15, 2011. The City began making scheduled annual principal and interest payments of \$19,582 on September 15, 2005. The loan will be repaid from future collections of a debt service levy on all taxable property in the City.

A summary of the annual principal and interest requirements to maturity for the loan agreements is as follows:

Year Ending June 30,	Fire Truck			Ambulance			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2012	4.24%	\$ 50,000	8,780	4.79%	\$ 18,687	896	68,687	9,676
2013	4.38	50,000	6,660		-	-	50,000	6,660
2014	4.48	50,000	4,470		-	-	50,000	4,470
2015	4.58	48,681	2,230		-	-	48,681	2,230
Total		<u>\$ 198,681</u>	<u>22,140</u>		<u>\$ 18,687</u>	<u>896</u>	<u>217,368</u>	<u>23,036</u>

Payments under the agreements for the year ended June 30, 2011 totaled \$80,406.

Lease-Purchase Agreements

On December 3, 2007 and July 15, 2010, the City entered into lease-purchase agreements to lease trucks and snow plow equipment. The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreements in effect at June 30, 2011:

Year Ending June 30,	Amount
2012	\$ 48,549
2013	25,988
2014	25,988
2015	25,988
Total minimum lease payments	<u>126,513</u>
Less amount representing interest	<u>(10,752)</u>
Present value of net minimum lease payments	<u>\$ 115,761</u>

Payments under the agreements for the year ended June 30, 2011 totaled \$48,550.

**(4) Pension and Retirement Benefits**

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

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 \$95,849, \$88,277 and \$72,082, respectively, equal to the required contributions for each year.

**(4) Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 22 active and no retired members in the plan. Retired participants must be 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under 65 would pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$300 for single coverage and \$1,200 for family coverage. The same monthly premiums would apply to retirees. For the year ended June 30, 2011, the City contributed \$280,101 and no contributions were made by plan members eligible for benefits.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and compensatory time for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 78,000
Compensatory time	12,000
Total	<u>\$ 90,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2011.

**(7) 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: Employee Benefits	\$ 231,078
Debt Service	Special Revenue: Road Use Tax Tax Increment Financing	22,811 474,100
		<u>496,911</u>
Capital Projects	Special Revenue: Tax Increment Financing Enterprise: Water Sewer	600,000 200,000 200,000
		<u>1,000,000</u>
Enterprise: Solid Waste	General	55,000
Total		<u>\$ 1,782,989</u>

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

**(8) Risk Management**

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2011 were \$120,713.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation liability. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The City self funds health coverage for its employees. The plan is funded by the City and is administrated by the City. The City assumes liability for the difference in deductibles from the plan for any amounts over \$250 individual and \$500 family. The City also self-insures the co-pay for anything over the amounts of \$15 per office visit. Monthly payments of claims are paid from the City's General Fund. During the year ended June 30, 2011, the City transferred \$15,708 from the Special Revenue, Employee Benefits Fund to the General Fund to fund the fees and claims paid by the City.

#### **(9) Development and Rebate Agreements**

The City has entered into four development and rebate agreements to assist in certain urban renewal projects. The City agreed to rebate incremental property tax paid by the developers in exchange for the costs of certain infrastructure improvement projects constructed by the City as set forth in the urban renewal plan and the individual development and rebate agreements. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developers will be rebated for periods ranging from five to ten years, beginning with the tax year in which the property tax on the completed value of the improvements is first paid. The maximum amount to be rebated under the development and rebate agreements is the lesser of actual project costs paid by the developer or \$1,023,141. The agreements do not include provisions for payment of interest.

During the year ended June 30, 2011, the City rebated \$31,716 of incremental property tax to developers. Resources were transferred from the Special Revenue, Tax Increment Financing Fund to the Debt Service Fund and the payment of this obligation was charged to the debt service function. The outstanding principal balance on these agreements at June 30, 2011 is \$822,149.

No bonds or notes were issued for these projects. To the extent there are insufficient tax increment receipts available on any payment date to make the required scheduled payment, the unpaid amount shall be carried over to the next payment date without accruing any interest.

An additional development agreement requires the City to reimburse future tapping fees as connections are made to the system for sanitary sewer extensions and sanitary sewer lift station costs paid by the developer. The maximum to be paid under this development agreement is the lesser of actual costs paid by the developer or \$434,402. The development agreement is in effect until fully reimbursed. During the year ended June 30, 2011, the City reimbursed the developer \$31,563 from sewer tapping fees. The outstanding principal balance on this agreement at June 30, 2011 is \$295,918.

**(10) Economic Development Loans**

On January 10, 2006, the City approved an economic development loan agreement with Breeding True Value Hardware. The City loaned \$50,000 to assist in locating a store in the City. The loan bears interest at 2% per annum and is to be repaid in monthly installments of \$460 beginning in June 2006 for a period of ten years. As of June 30, 2011, the outstanding loan balance is \$25,832.

On February 12, 2008, the City approved an economic development loan agreement with Performance Display. The City loaned \$50,000 to assist in locating a store in the City. The loan bears interest at 4% per annum and is to be repaid in monthly installments of \$2,430 beginning in May 2011 for a period of two years. On March 16, 2011, the City received \$55,809 for full payment of the loan.

**(11) Education Facility and Community Provider Revenue Notes**

The City entered into a loan agreement, dated July 1, 2004, with the Des Moines Christian School Association to obtain funds to loan to the Association. Pursuant to the loan agreement, the City issued an Education Facility Revenue Note, Series 2004, dated October 1, 2004, for \$7,200,000 under Chapter 419 of the Code of Iowa and secured the note by assignment of the loan agreement to First Federal Bank, West Des Moines, Iowa. The proceeds of the note are to be paid directly to or at the direction of the Des Moines Christian School Association for paying project costs or retiring existing debt.

The City entered into a loan agreement, dated November 1, 2004, with Special Olympics Iowa, Inc. to obtain funds to loan to the nonprofit corporation. Pursuant to the loan agreement, the City issued a Community Provider Revenue Note, Series 2004, dated November 11, 2004, for \$1,400,000 under Chapter 419 of the Code of Iowa and secured the note by an assignment of the loan agreement to Bankers Trust Company, National Association, Des Moines, Iowa. The proceeds of the note are to be paid directly to or at the direction of Special Olympics Iowa, Inc. for payment of project costs.

The notes and the related interest are payable solely from payments derived pursuant to the loan agreements and from the properties which secure payment of the notes. The note principal and interest do not constitute liabilities of the City.

**(12) Construction Commitments**

The City has entered into construction contracts totaling approximately \$12,271,901. As of June 30, 2011, costs of \$10,505,465 had been paid on the contracts. The remaining \$1,766,436 will be paid as work on these projects progresses.

**(13) Deficit Balance**

The Special Revenue, Metro Waste Authority Fund had a deficit balance of \$2,840 at June 30, 2011. The deficit balance was a result of costs incurred but not reimbursed by the grant program. The deficit will be eliminated by a transfer from the General Fund.

**(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:

	<u>Special Revenue</u>		
	<u>General</u>	<u>Emergency Levy</u>	<u>Park and Recreation</u>
Balances June 30, 2010, as previously reported	\$ 2,797,429	259,406	6,365
Change in fund type classification per implementation of GASB Statement No. 54	265,771	(259,406)	(6,365)
Balances July 1, 2010, as restated	<u>\$ 3,063,200</u>	<u>-</u>	<u>-</u>

**Required Supplementary Information**

City of Grimes

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 Actual	Proprietary Funds Actual	Less Funds Not Required To Be Budgeted	Net
<b>Receipts:</b>				
Property tax	\$ 5,033,717	-	-	5,033,717
Tax increment financing	1,060,037	-	-	1,060,037
Other city tax	226,812	-	-	226,812
Licenses and permits	261,512	-	-	261,512
Use of money and property	146,295	33	-	146,328
Intergovernmental	4,155,925	-	-	4,155,925
Charges for service	291,711	3,006,147	-	3,297,858
Special assessments	273,936	-	-	273,936
Miscellaneous	576,047	-	18,174	557,873
Total receipts	<u>12,025,992</u>	<u>3,006,180</u>	<u>18,174</u>	<u>15,013,998</u>
<b>Disbursements:</b>				
Public safety	1,342,355	-	12,612	1,329,743
Public works	1,461,193	-	-	1,461,193
Health and social services	-	-	-	-
Culture and recreation	937,497	-	-	937,497
Community and economic development	114,011	-	-	114,011
General government	521,971	-	-	521,971
Debt service	2,150,932	-	-	2,150,932
Capital projects	6,624,078	-	-	6,624,078
Business type activities	-	2,779,731	-	2,779,731
Total disbursements	<u>13,152,037</u>	<u>2,779,731</u>	<u>12,612</u>	<u>15,919,156</u>
Excess (deficiency) of receipts over (under) disbursements	(1,126,045)	226,449	5,562	(905,158)
Other financing sources (uses), net	465,438	(345,000)	-	120,438
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(660,607)	(118,551)	5,562	(784,720)
Balances beginning of year	9,628,441	2,600,751	-	12,229,192
Balances end of year	<u>\$ 8,967,834</u>	<u>2,482,200</u>	<u>5,562</u>	<u>11,444,472</u>

See accompanying independent auditor's report.

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Budgeted Amounts		Final to
Original	Final	Total
		Variance
4,762,206	4,762,206	271,511
1,074,100	1,074,100	(14,063)
266,501	266,501	(39,689)
231,825	231,825	29,687
94,450	94,450	51,878
543,799	734,029	3,421,896
3,411,800	3,411,800	(113,942)
100,000	100,000	173,936
29,000	29,000	528,873
<u>10,513,681</u>	<u>10,703,911</u>	<u>4,310,087</u>
1,497,727	1,503,417	173,674
1,396,567	1,526,567	65,374
8,000	11,000	11,000
956,116	1,018,116	80,619
118,000	118,000	3,989
654,820	576,820	54,849
2,142,865	2,243,115	92,183
8,435,000	8,185,000	1,560,922
3,004,300	3,169,300	389,569
<u>18,213,395</u>	<u>18,351,335</u>	<u>2,432,179</u>
(7,699,714)	(7,647,424)	6,742,266
<u>3,000,003</u>	<u>3,000,003</u>	<u>(2,879,565)</u>
(4,699,711)	(4,647,421)	3,862,701
<u>10,192,659</u>	<u>10,192,659</u>	<u>2,036,533</u>
<u>5,492,948</u>	<u>5,545,238</u>	<u>5,899,234</u>

City of Grimes

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 except the blended component unit. 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, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the 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 by \$137,940. The budget amendment is reflected in the final budgeted amounts.

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

**Other Supplementary Information**

City of Grimes

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2011

	Special Revenue		
	Employee Benefits	Economic Development Revolving Loan	Metro Waste Authority
Receipts:			
Property tax	\$ 244,189	-	-
Use of money and property	-	61,330	-
Intergovernmental	-	-	-
Miscellaneous	-	-	-
Total receipts	244,189	61,330	-
Disbursements:			
Operating:			
Public safety	-	-	-
Culture and recreation	-	-	-
Community and economic development	-	10,000	-
Total disbursements	-	10,000	-
Excess (deficiency) of receipts over (under) disbursements	244,189	51,330	-
Other financing uses:			
Operating transfers out	(231,078)	-	-
Net change in cash balances	13,111	51,330	-
Cash balances beginning of year	99,771	138,201	(2,840)
Cash balances end of year	\$ 112,882	189,531	(2,840)
<b>Cash Basis Fund Balances</b>			
Restricted for other purposes	\$ 112,882	189,531	-
Unassigned	-	-	(2,840)
Total cash basis fund balances	\$ 112,882	189,531	(2,840)

See accompanying independent auditor's report.

Grimes Fire and Rescue Association	FEMA Grant	Library	Rolow Memorial	Total
-	-	-	-	244,189
-	-	-	-	61,330
-	46,312	8,550	-	54,862
18,174	-	7,043	-	25,217
18,174	46,312	15,593	-	385,598
12,612	12,443	-	-	25,055
-	-	54,539	-	54,539
-	-	-	-	10,000
12,612	12,443	54,539	-	89,594
5,562	33,869	(38,946)	-	296,004
-	-	-	-	(231,078)
5,562	33,869	(38,946)	-	64,926
-	-	88,441	1,833	325,406
5,562	33,869	49,495	1,833	390,332
5,562	33,869	49,495	1,833	393,172
-	-	-	-	(2,840)
5,562	33,869	49,495	1,833	390,332

City of Grimes  
Schedule of Indebtedness  
Year ended June 30, 2011

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
<b>General obligation bonds:</b>			
Corporate purpose	Jan 1, 2002	4.00-4.70%	\$ 3,200,000
Corporate purpose	Mar 1, 2003	2.00-4.00	2,650,000
Corporate purpose	Aug 1, 2007	4.00-4.10	5,200,000
Corporate purpose	Nov 1, 2009	1.50-5.40	10,000,000
Total			
<b>Revenue bonds:</b>			
Water	Dec 19, 2000	3.53-3.84%	\$ 5,976,000
Sewer	Dec 19, 2000	4.30	5,372,000
Total			
<b>Loan agreements:</b>			
Fire truck	Mar 22, 2005	3.05-4.58%	\$ 498,681
Ambulance	Sep 6, 2005	4.79	119,522
Total			
<b>Lease-purchase agreements:</b>			
Truck and snow plow	Dec 3, 2007	5.35%	\$ 101,872
Truck and snow plow	Jul 15, 2010	3.87%	120,438
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
1,415,000	-	210,000	1,205,000	64,515
1,605,000	-	175,000	1,430,000	59,025
4,405,000	-	290,000	4,115,000	177,910
9,895,000	-	580,000	9,315,000	431,710
<u>\$17,320,000</u>	<u>-</u>	<u>1,255,000</u>	<u>16,065,000</u>	<u>733,160</u>
3,789,000	-	287,000	3,502,000	134,967
3,499,000	-	256,000	3,243,000	150,457
<u>\$ 7,288,000</u>	<u>-</u>	<u>543,000</u>	<u>6,745,000</u>	<u>285,424</u>
248,681	-	50,000	198,681	10,825
36,519	-	17,832	18,687	1,749
<u>\$ 285,200</u>	<u>-</u>	<u>67,832</u>	<u>217,368</u>	<u>12,574</u>
41,441	-	20,130	21,311	2,432
-	120,438	25,988	94,450	-
<u>\$ 41,441</u>	<u>120,438</u>	<u>46,118</u>	<u>115,761</u>	<u>2,432</u>

City of Grimes

Bond Maturities

June 30, 2011

General Obligation Bonds									
Year Ending June 30,	Corporate Purpose Issued Jan 1, 2002		Corporate Purpose Issued Mar 1, 2003		Corporate Purpose Issued Aug 1, 2007		Corporate Purpose Issued Nov 1, 2009		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2012	4.40%	\$ 220,000	3.45%	\$ 180,000	4.00%	\$ 300,000	2.50%	\$ 595,000	1,295,000
2013	4.50	230,000	3.50	185,000	4.00	315,000	2.75	605,000	1,335,000
2014	4.60	240,000	3.60	195,000	4.00	330,000	3.25	620,000	1,385,000
2015	4.70	250,000	3.70	200,000	4.00	340,000	3.75	640,000	1,430,000
2016	4.70	265,000	3.80	215,000	4.00	355,000	4.25	655,000	1,490,000
2017	-	-	3.90	225,000	4.00	370,000	4.65	680,000	1,275,000
2018	-	-	4.00	230,000	4.05	385,000	5.00	700,000	1,315,000
2019	-	-	-	-	4.05	405,000	5.00	725,000	1,130,000
2020	-	-	-	-	4.10	420,000	5.00	755,000	1,175,000
2021	-	-	-	-	4.10	440,000	5.15	785,000	1,225,000
2022	-	-	-	-	4.10	455,000	5.30	815,000	1,270,000
2023	-	-	-	-	-	-	5.35	850,000	850,000
2024	-	-	-	-	-	-	5.40	890,000	890,000
Total		<u>\$1,205,000</u>		<u>\$1,430,000</u>		<u>\$4,115,000</u>		<u>\$9,315,000</u>	<u>16,065,000</u>

See accompanying independent auditor's report.

Revenue Bonds							
Water				Sewer			
Issued Dec 19, 2000		Issued Dec 19, 2000		Total	Issued Dec 19, 2000		
Interest Rates	Amount	Interest Rates	Amount		Interest Rates	Amount	Total
3.53%	\$ 267,000	3.84%	\$ 30,000	297,000	4.30%	\$ 266,000	563,000
3.53	277,000	3.84	32,000	309,000	4.30	278,000	587,000
3.53	286,000	3.84	33,000	319,000	4.30	290,000	609,000
3.53	296,000	3.84	34,000	330,000	4.30	302,000	632,000
3.53	307,000	3.84	35,000	342,000	4.30	315,000	657,000
3.53	318,000	3.84	37,000	355,000	4.30	329,000	684,000
3.53	329,000	3.84	38,000	367,000	4.30	343,000	710,000
3.53	341,000	3.84	40,000	381,000	4.30	358,000	739,000
3.53	353,000	3.84	41,000	394,000	4.30	373,000	767,000
3.53	365,000	3.84	43,000	408,000	4.30	389,000	797,000
	-		-	-		-	-
	-		-	-		-	-
	-		-	-		-	-
	<u>\$3,139,000</u>		<u>\$ 363,000</u>	<u>3,502,000</u>		<u>\$ 3,243,000</u>	<u>6,745,000</u>

City of Grimes

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

For the Last Nine Years

	2011	2010	2009	2008
<b>Receipts:</b>				
Property tax	\$ 5,033,717	4,461,334	3,805,022	3,239,293
Tax increment financing	1,060,037	812,070	881,205	966,128
Other city tax	226,812	215,732	197,810	198,987
Licenses and permits	261,512	349,221	184,396	427,871
Use of money and property	146,295	91,697	282,917	311,866
Intergovernmental	4,219,426	1,594,655	560,122	582,316
Charges for service	291,711	247,272	269,886	252,863
Special assessments	273,936	189,244	60,230	37,859
Miscellaneous	512,549	1,067,568	1,715,428	1,678,958
<b>Total</b>	<b>\$ 12,025,995</b>	<b>9,028,793</b>	<b>7,957,016</b>	<b>7,696,141</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 1,342,355	1,267,021	1,126,024	1,066,345
Public works	1,461,193	1,421,463	1,660,313	1,045,823
Health and social services	-	-	-	-
Culture and recreation	937,497	738,238	778,958	575,730
Community and economic development	114,011	112,859	160,916	141,481
General government	521,971	609,524	577,086	497,589
Debt service	2,150,932	1,631,804	1,585,293	1,834,602
Capital projects	6,624,078	7,150,402	4,089,799	4,379,280
<b>Total</b>	<b>\$ 13,152,037</b>	<b>12,931,311</b>	<b>9,978,389</b>	<b>9,540,850</b>

See accompanying independent auditor's report.

2007	2006	2005	2004	2003
2,853,663	2,502,802	2,307,906	2,097,510	1,950,430
761,226	817,073	670,298	778,617	339,941
112,067	68,100	107,372	17,606	73,911
425,331	355,345	295,902	199,711	181,354
154,674	101,908	123,906	87,329	51,408
1,073,834	890,894	1,378,470	566,563	572,297
240,383	414,290	426,201	182,481	118,126
49,060	137,137	437,247	-	-
1,756,010	1,428,522	2,669,863	31,724	278,697
<b>7,426,248</b>	<b>6,716,071</b>	<b>8,417,165</b>	<b>3,961,541</b>	<b>3,566,164</b>
824,398	1,139,269	1,430,441	671,961	566,187
767,595	684,261	771,074	680,222	873,301
6,067	33,583	39,000	48,000	42,250
480,494	542,363	411,536	354,637	388,090
58,799	128,219	57,634	47,633	37,318
486,222	499,030	445,296	383,215	338,916
1,371,799	1,413,924	1,092,771	900,224	686,192
5,092,309	3,362,209	4,817,303	2,406,198	2,601,271
<b>9,087,683</b>	<b>7,802,858</b>	<b>9,065,055</b>	<b>5,492,090</b>	<b>5,533,525</b>

**Schedule 5**

City of Grimes  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2011

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	HDP-044-6(14)--71-77 HDP-044-6(15)--71-77 HDP-044-6(16)--71-77	\$ 2,455,373
U.S Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	153-33060-00	38,308
Total			\$ 2,493,681

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Grimes and is presented in conformity with an other comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

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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

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Grimes, 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 October 17, 2011. Our report expressed unqualified opinions on the financial statements which 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 Grimes' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Grimes' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Grimes' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of the 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 a material misstatement of the City of Grimes' financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Grimes' 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 which are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance or other matters which is described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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 comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Grimes' response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the City's response, we did not audit the City of Grimes' response and, accordingly, we express no opinion on it.

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 Grimes and other parties to whom the City of Grimes may report, including federal awarding agencies and pass-through entities, and 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 Grimes 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.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 17, 2011

**Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133**

**City of Grimes**



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

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David A. Vaudt, CPA  
Auditor of State

Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
On Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Compliance

We have audited the compliance of the City of Grimes, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2011. The City of Grimes' major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Grimes' management. Our responsibility is to express an opinion on the City of Grimes' compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Grimes' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Grimes' compliance with those requirements.

In our opinion, the City of Grimes complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the City of Grimes is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Grimes' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Grimes' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above.

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 Grimes and other parties to whom the City of Grimes may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 17, 2011

City of Grimes

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were 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.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Grimes did not qualify as a low-risk auditee.

City of Grimes

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

No material weaknesses in internal control were noted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No material weaknesses in internal control over the major program were noted.

City of Grimes  
 Schedule of Findings  
 Year ended June 30, 2011

**Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-10 Certified Budget – Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted.
- IV-B-10 Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-10 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- IV-D-10 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:
 

Name, Title, and Business Connection	Transaction Description	Amount
Tom Armstrong, Mayor, Owner of Rainbow Play Systems	Playground equipment	\$ 223
- IV-E-10 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- IV-F-10 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-G-10 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- IV-H-10 Water and Sewer Revenue Bonds – No instances of non-compliance with the provisions of the revenue bond resolutions were noted.
- IV-I-10 Financial Condition – The Special Revenue, Metro Waste Authority Fund had a deficit balance of \$2,840 at June 30, 2011.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return the fund to a sound financial position.

Response – The City of Grimes had originally anticipated the grant program would continue for 2011. Thus, this fund would not have a deficit balance. The program requires the funds to be expended and then reimbursed so they were expended in the expectation of being reimbursed. The program was not continued in lieu of the purchase of new recycling containers for metropolitan cities. The City of Grimes will use general fund dollars to reimburse this fund.

Conclusion – Response accepted.

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City of Grimes

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager  
Melissa J. Knoll-Speer, Senior Auditor  
Matthew S. Nye, Assistant Auditor  
Brandon J. Vogel, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA  
Deputy Auditor of State