

CITY OF GRUNDY CENTER
Grundy Center, Iowa

FINANCIAL STATEMENTS

June 30, 2012

TABLE OF CONTENTS

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITOR’S REPORT	2
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
 BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statement: Statement of Activities and Net Assets - Cash Basis	10
Governmental Fund Financial Statement: Statement of Cash Receipts, Disbursements and Changes in Cash Balances.....	12
Proprietary Fund Financial Statement: Statement of Cash Receipts, Disbursements and Changes in Cash Balances.....	14
Notes to Financial Statements.....	16
 REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds	28
Notes to Required Supplementary Information - Budgetary Reporting	30
 SUPPLEMENTARY INFORMATION	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	31
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Enterprise Funds.....	32
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Special Revenue Funds.....	33
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Capital Projects Funds.....	34
Schedule of Indebtedness.....	35
Bond and Note Maturities	36
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds	37
 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	 38
 Schedule Of Findings And Responses	 40

**CITY OF GRUNDY CENTER
Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rex Van Wert	Mayor	January 2014
Josh Sherer	Council Member	January 2016
David Stefl	Council Member	January 2014
Mark Lynch	Council Member	January 2014
Brian Buhrow	Council Member	January 2016
Jeanetta Miller	Council Member	January 2016
Richard Riesberg	City Clerk and Treasurer	Indefinite
John Harris	City Attorney	Indefinite

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Grundy Center, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Management has not included the financial activities of the Grundy Center Municipal Power & Light Company, a component unit of the City of Grundy Center, in the accompanying financial statements. The cash basis of accounting, as described in Note 1, requires that this component unit be discretely presented as part of the City's financial statements and the financial information of the component unit be presented as part of the business type activities of the City. If the omitted component unit had been included, receipts and disbursements of the enterprise funds would have increased by \$5,396,268 and \$5,549,156, respectively. In addition, the net change in cash balance would have decreased by \$152,888, and the ending proprietary funds cash balance would have increased by \$7,282,778.

In our opinion, because of the omission of the Grundy Center Municipal Power & Light Company component unit described in the previous paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with the cash basis of accounting, the cash basis financial position of the component unit and the business activities of the City of Grundy Center, Iowa as of June 30, 2012, or the changes in cash basis financial position for the year then ended.

In addition, in our opinion, except for the effects of not including the financial information for the component unit as part of the City's activities, as described above, the financial statements referred to above present fairly, in all material respects, the cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Grundy Center, Iowa as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2013 on our consideration of the City of Grundy Center, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements, such information although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grundy Center, Iowa's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
January 17, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Grundy Center provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year which ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 Financial Highlights

Receipts of the City's governmental activities decreased slightly (less than 1%) or approximately \$20,000, from fiscal year 2011 to fiscal year 2012. Property Tax Collections increased approximately \$6,000; Tax Increment Financing collections increased by approximately \$28,000; and Miscellaneous Revenues decreased approximately \$92,000.

Disbursements for Governmental Activities also decreased slightly (1.4%), or approximately \$31,500, in fiscal year 2012 from fiscal year 2011. There was an decrease in disbursements of approximately \$266,500 in Capitals for the year due to storm sewer and street improvement projects that were completed in FY2011; Public Works expenditures increased \$111,447 due to starting up deferred streets maintenance while projects were undertaken for the proprietary funds; and there was an increase in expenditures of nearly \$80,000 for Community and Economic Development projects.

No new debt was issued during the year, \$268,368 was redeemed during the year and interest costs during the year totaled \$168,476.

The City's Cash Basis Fund Balance for Governmental Funds increased 4%, or approximately \$47,000, from June 30, 2011 to June 30, 2012. The increase in assets can be attributed to increases in the General Fund (\$19,250) and Road Use Tax Fund (\$42,209) which was offset by a \$13,858 decrease in the Special Revenues Fund.

The City's proprietary funds saw an increase in revenues of \$125,000 and expenditures of \$55,000. The increase in expenditures was mainly due to the purchase of a new ambulance for \$127,847 which was offset by a decrease to the Water Reserves Fund which last year paid for installation of a water main to the north business park. Overall, the proprietary funds had a fund balance of nearly 1.9 million dollars.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Reporting the City's Financial Activities

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$1,244,466 to \$1,291,554. The analysis that follows focuses on the changes in cash balances for governmental activities. The increase to the General Fund was due to departments spending less than anticipated while the increases to the Road Use Tax Fund and All Other Governmental Funds related to the various stages of the City's capital projects.

	<u>Special Revenue</u>			<u>All Other Governmental Funds</u>	<u>Totals</u>
	<u>General Fund</u>	<u>Road Use Tax</u>	<u>Special Revenue</u>		
Balance, June 30, 2011	\$ 150,850	\$ 250,721	\$ 13,858	\$ 829,037	\$ 1,244,466
Balance, June 30, 2012	<u>170,130</u>	<u>292,930</u>	<u>0</u>	<u>828,494</u>	<u>1,291,554</u>
Change in balance	<u>\$ 19,280</u>	<u>\$ 42,209</u>	<u>\$ (13,858)</u>	<u>\$ (543)</u>	<u>\$ 47,088</u>

The City decreased the property tax millage rate for 2012. The decrease in the millage rate for residential properties was possible due to a change in the roll back to residential properties. With the decreased levy rate and increased roll back the City collected an additional \$6,312 in property taxes when compared to the previous year.

The cost of all governmental activities this year was \$2,159,811 compared to \$2,209,618 last year. The Statement of Activities and Net Assets - Cash Basis, reveals that the amount the taxpayers ultimately financed for these activities was \$1,583,010 because some of the cost was paid by those directly benefiting from the programs or by other government agencies and organizations.

The business activities receipts for the fiscal year were \$1,387,265, compared to \$1,262,042 last year. Charges for Services increased over \$55,000 for the Stormwater Utility and Ambulance combined. Total disbursements increased by \$55,079 from \$1,407,241 for fiscal year 2011 to \$1,462,320 for fiscal year 2012. During the year the City spent nearly \$128,000 on a new ambulance and continued to operate with paramedic coverage. The previous year was unusually high due to several utility projects completed during the year. These are the most significant events accounting for the increase in expenditures.

Individual Major Governmental Fund Analysis

At the end of the fiscal year, the City of Grundy Center had a combined \$1,291,544 in its Governmental Funds, which represents a positive change of \$47,088. The following are the highlights of the changes to the balances from last year's activities:

- The Road Use Tax Fund increased from the prior year. The City is contracting for seal coating services and spent significantly more for street maintenance than last fiscal year; however the fund balance still increased for the year due to increased collections from the State of Iowa.
- The General Fund increased by approximately \$19,000. This was in part due to departments not spending their full budget and better than expected revenues. This will assist the City in having adequate cash reserves throughout the year.
- Last year the City issued GO Bonds to pay for three projects and buy down the interest rate on the outstanding GO Bonds. While they are GO Bonds, the new portion of the debt is being repaid with a combination of TIF revenues and stormwater utility revenues. The projects addressed three areas needing immediate improvement and were completed during the year.

Individual Major Business Type Fund Analysis

- The Water Department, Sanitary Sewer Department, and Sanitation Department were largely unchanged from a year ago. Revenues and expenses were much the same in fiscal year 2012 as fiscal year 2011.
- The Ambulance Department continues to provide provisional paramedic service. This required the hiring of a full time employee with full benefits. Both revenues and expenses rose dramatically this year. In addition the Department purchased a new ambulance for nearly \$128,000 using reserves to pay for this.
- The City established a new proprietary fund in fiscal year 2010 to pay for costs related to operating its stormwater sewer system. The Fund collected over \$63,000 in revenues and spent over \$95,999 which included paying back \$50,000 on an interfund loan that helped establish the Fund.

Budgetary Highlights

During the year the budget was amended once. The amendment increased budgeted expenditures by \$220,948 for governmental funds and \$149,990 for enterprise funds. This was offset by an increase of \$162,211 for budgeted revenues.

Debt Administration

As of June 30, 2012, the City of Grundy Center had \$3,854,757 in bonds and other long-term debt. This amount is \$268,368 less than a year ago as is shown below.

**Outstanding Debt at Year-End
(Expressed in Thousands)**

	<u>2011</u>	<u>2011</u>
General Obligation Bonds:		
Corporate purpose and refund	\$ 655	\$ 570
Aquatic center	1,235	1,140
Revenue Bonds:		
Sewer revenue	602	574
Urban renewal tax increment financing	<u>1,631</u>	<u>1,571</u>
Total indebtedness	<u>\$ 4,123</u>	<u>\$ 3,855</u>

Debt decreased by 6.50% in fiscal year 2012 as a result of payments on existing debt and not issuing new debt of any kind. The state limits the amount of debt a city can carry to no more than 5% of the assessed value of all taxable property within the City's corporate limits. That limit is approximately 5.8 million dollars.

Economic Factors and Next Year's Budget and Rates

The Grundy Center City Council took action on next year's budget (FY2013) on March 5, 2012. In preparing the budget, tax levy rate, and charges for services they considered many items such as the debt service levy for the aquatic center, a major decrease in health care costs for employees, the pay raise for employees and the desire to contain property taxes as much as possible. A slightly higher percentage of a home's value was taxable this year providing some additional funding to the general fund and debt service fund. Overall it was the intent of the Council to hold the line on the amount of taxes due on a \$100,000 house.

The budget for fiscal year 2013 expenditures was increased by over \$278,000 or more than 8%. The increase was the result of increased budgets for capital projects, (\$191,500); general government (\$17,298); and Community and Economic Development (\$53,609). While the budget increased, the tax levy rate was decreased from \$16.98282 per thousand dollars of taxable valuation to \$16.23501 per thousand dollars of taxable valuation in an effort to keep the amount a homeowner pays the same as fiscal year 2012. This decrease was made possible by a decrease in the amount necessary to pay for employee benefits, use of cash reserves, and an increase to the amount of a home that is taxable. Below is a chart that shows the recent history of property tax rates for a \$100,000 home in Grundy Center:

Property tax on a \$100,000 home

Fiscal Year:	<u>07/08</u>	<u>08/09</u>	<u>09/10</u>	<u>10/11</u>	<u>11/12</u>	<u>12/13</u>
Assessed value	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Rollback	45.5596 %	44.0803 %	45.5893 %	46.9094 %	48.5299 %	50.7518 %
Taxable value	45,560	44,080	45,589	46,909	48,530	50,752
Tax rate per \$1,000	14.51541	17.08596	16.57469	17.19647	16.98282	16.23501
Calculated tax	661	753	756	807	824	824

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

Contacting the City's Financial Management

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

BASIC FINANCIAL STATEMENTS

CITY OF GRUNDY CENTER, IOWA
Statement of Activities and Net Assets - Cash Basis
For the Year Ended June 30, 2012

	<u>Program Receipts</u>				<u>Net (Disbursements) Receipts and Change in Cash Basis Net Assets</u>		
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
FUNCTIONS/PROGRAMS:							
Governmental activities:							
Public safety	\$ 350,478	\$ 4,386	\$ 20,722	\$ 32,834	\$ (292,536)	\$ -	\$ (292,536)
Public works	606,381	25,000	256,667	-	(324,714)	-	(324,714)
Health and social services	2,320	-	-	-	(2,320)	-	(2,320)
Culture and recreation	401,495	107,080	71,600	-	(222,815)	-	(222,815)
Community and economic development	191,523	2,936	45,055	6,000	(137,532)	-	(137,532)
General government	215,908	4,286	235	-	(211,387)	-	(211,387)
Debt service	391,706	-	-	-	(391,706)	-	(391,706)
Total governmental activities	<u>2,159,811</u>	<u>143,688</u>	<u>394,279</u>	<u>38,834</u>	<u>(1,583,010)</u>	<u>-</u>	<u>(1,583,010)</u>
Business type activities:							
Water	534,480	529,832	482	-	-	(4,166)	(4,166)
Sewer	287,235	217,840	19,237	-	-	(50,158)	(50,158)
Sanitation	240,061	199,776	1,906	-	-	(38,379)	(38,379)
Ambulance	305,098	178,913	12,496	-	-	(113,689)	(113,689)
Storm sewer	45,446	63,352	-	-	-	17,906	17,906
Total business type activities	<u>1,412,320</u>	<u>1,189,713</u>	<u>34,121</u>	<u>-</u>	<u>-</u>	<u>(188,486)</u>	<u>(188,486)</u>
Total	<u>\$ 3,572,131</u>	<u>\$ 1,333,401</u>	<u>\$ 428,400</u>	<u>\$ 38,834</u>	<u>(1,583,010)</u>	<u>(188,486)</u>	<u>(1,771,496)</u>

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

CITY OF GRUNDY CENTER, IOWA
Statement of Activities and Net Assets - Cash Basis
For the Year Ended June 30, 2012

	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursements) Receipts and Change in Cash Basis Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>
GENERAL RECEIPTS AND TRANSFERS:						
Property taxes levied for:						
General purposes				849,401	-	849,401
Debt service				211,697	-	211,697
Tax increment financing				193,165	-	193,165
Local option sales tax and other taxes				213,385	-	213,385
Grants and contributions not restricted to specific purposes				12,795	-	12,795
Unrestricted interest on investments				10,302	27,186	37,488
Miscellaneous				28,204	63,433	91,637
Rents				36,110	-	36,110
Sale of capital assets				63,398	21,028	84,426
Repayment of loans to business				-	100,000	100,000
Transfers				11,641	(11,641)	-
Total general receipts and transfers				<u>1,630,098</u>	<u>200,006</u>	<u>1,830,104</u>
CHANGE IN CASH BASIS NET ASSETS				47,088	11,520	58,608
CASH BASIS NET ASSETS, BEGINNING OF YEAR				<u>1,244,466</u>	<u>1,886,271</u>	<u>3,130,737</u>
CASH BASIS NET ASSETS, END OF YEAR				<u>\$ 1,291,554</u>	<u>\$ 1,897,791</u>	<u>\$ 3,189,345</u>
CASH BASIS NET ASSETS:						
Restricted:						
Expendable:						
Streets				\$ 292,930	\$ -	\$ 292,930
Urban renewal purposes				10,445	-	10,445
Debt service				41,503	28,000	69,503
Capital projects				190,812	-	190,812
Other purposes				108,130	-	108,130
Unrestricted				<u>647,734</u>	<u>1,869,791</u>	<u>2,517,525</u>
TOTAL CASH BASIS NET ASSETS				<u>\$ 1,291,554</u>	<u>\$ 1,897,791</u>	<u>\$ 3,189,345</u>

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

CITY OF GRUNDY CENTER, IOWA
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
For the Year Ended June 30, 2012

	<u>Special Revenue</u>			<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
	<u>General</u>	<u>Road Use Tax</u>	<u>Other Taxes</u>		<u>Fire Equipment Reserve</u>		
RECEIPTS:							
Property tax	\$ 613,654	\$ -	\$ 235,747	\$ 211,697	\$ -	\$ -	\$ 1,061,098
Tax increment financing collections	-	-	193,165	-	-	-	193,165
Other city tax	107,428	-	-	922	-	103,914	212,264
Licenses and permits	7,458	-	-	-	-	-	7,458
Use of money and property	50,470	-	1,275	478	1,343	4,509	58,075
Intergovernmental	30,728	256,667	-	-	-	19,551	306,946
Special assessments	-	-	-	-	-	25,000	25,000
Charges for services	105,134	-	-	-	31,232	-	136,366
Miscellaneous	51,994	-	-	-	500	78,994	131,488
Total receipts	<u>966,866</u>	<u>256,667</u>	<u>430,187</u>	<u>213,097</u>	<u>33,075</u>	<u>231,968</u>	<u>2,131,860</u>
DISBURSEMENTS:							
Current:							
Public safety	347,693	-	-	-	-	2,785	350,478
Public works	242,138	214,458	-	-	-	-	456,596
Health and social services	2,320	-	-	-	-	-	2,320
Culture and recreation	352,682	-	-	-	-	48,813	401,495
Community and economic development	9,994	-	-	-	-	180,029	190,023
General government	215,398	-	-	-	-	-	215,398
Debt service							
Principal	-	-	-	170,000	-	70,369	240,369
Interest and fees	-	-	-	73,813	-	77,524	151,337
Capital outlay	-	-	-	-	-	151,795	151,795
Total disbursements	<u>1,170,225</u>	<u>214,458</u>	<u>-</u>	<u>243,813</u>	<u>-</u>	<u>531,315</u>	<u>2,159,811</u>

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

CITY OF GRUNDY CENTER, IOWA
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
For the Year Ended June 30, 2012

	<u>General</u>	<u>Special Revenue</u>		<u>Capital Projects</u>	<u>Nonmajor</u>		
		<u>Road Use</u>	<u>Other</u>	<u>Debt</u>	<u>Fire Equipment</u>	<u>Governmental</u>	<u>Totals</u>
		<u>Tax</u>	<u>Taxes</u>	<u>Service</u>	<u>Reserve</u>	<u>Funds</u>	
Excess (deficiency) of receipts over (under) disbursements	(203,359)	42,209	430,187	(30,716)	33,075	(299,347)	(27,951)
OTHER FINANCING SOURCES (USES)							
Sale of capital assets	-	-	-	-	-	63,398	63,398
Repayment of interfund loans	(18,359)	-	-	-	-	-	(18,359)
Transfers in	254,683	-	3,803	30,000	-	226,047	514,533
Transfers out	(13,685)	-	(447,848)	-	-	(23,000)	(484,533)
Total other financing sources (uses)	222,639	-	(444,045)	30,000	-	266,445	75,039
NET CHANGE IN CASH BALANCE	19,280	42,209	(13,858)	(716)	33,075	(32,902)	47,088
CASH BALANCE, BEGINNING OF YEAR	150,850	250,721	13,858	5,642	171,228	652,167	1,244,466
CASH BALANCE, END OF YEAR	<u>\$ 170,130</u>	<u>\$ 292,930</u>	<u>\$ -</u>	<u>\$ 4,926</u>	<u>\$ 204,303</u>	<u>\$ 619,265</u>	<u>\$ 1,291,554</u>
CASH BASIS FUND BALANCE:							
Restricted:							
Urban renewal purposes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,445	\$ 10,445
Debt service	-	-	-	4,926	-	36,577	41,503
Capital Projects	-	-	-	-	-	190,812	190,812
Streets	-	292,930	-	-	-	-	292,930
Other purposes	-	-	-	-	-	108,130	108,130
Assigned for capital projects	-	-	-	-	204,303	260,436	464,739
Unassigned	170,130	-	-	-	-	12,865	182,995
Total cash basis fund balance	<u>\$ 170,130</u>	<u>\$ 292,930</u>	<u>\$ -</u>	<u>\$ 4,926</u>	<u>\$ 204,303</u>	<u>\$ 619,265</u>	<u>\$ 1,291,554</u>

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

CITY OF GRUNDY CENTER, IOWA
Statement of Cash Receipts, Disbursements and
Changes in Cash Balances - Proprietary - Enterprise Funds
As of and for the year ended June 30, 2012

	<u>Water</u>	<u>Water Reserve</u>	<u>Sanitary Sewer</u>	<u>Sanitary Sewer Reserve</u>	<u>Sanitation</u>	<u>Sanitation Reserve</u>	<u>Ambulance</u>	<u>Ambulance Trust</u>	<u>Nonmajor Storm Sewer Fund</u>	<u>Totals</u>
OPERATING RECEIPTS:										
Intergovernmental	\$ 482	\$ -	\$ 19,237	\$ -	\$ 1,906	\$ -	\$ 6,046	\$ 6,450	\$ -	\$ 34,121
Charges for services	529,832	-	217,840	-	199,776	-	178,913	-	63,352	1,189,713
Miscellaneous	340	11,411	1,685	-	42,975	2,664	4,358	-	-	63,433
Total operating receipts	<u>530,654</u>	<u>11,411</u>	<u>238,762</u>	<u>-</u>	<u>244,657</u>	<u>2,664</u>	<u>189,317</u>	<u>6,450</u>	<u>63,352</u>	<u>1,287,267</u>
OPERATING DISBURSEMENTS:										
Business type activities:										
Water	462,703	-	-	-	-	-	-	-	-	462,703
Sewer	-	-	210,680	-	-	-	-	-	-	210,680
Sanitation	-	-	-	-	233,466	-	-	-	-	233,466
Ambulance	-	-	-	-	-	-	164,978	-	-	164,978
Storm Sewer	-	-	-	-	-	-	-	-	34,078	34,078
Total operating disbursements	<u>462,703</u>	<u>-</u>	<u>210,680</u>	<u>-</u>	<u>233,466</u>	<u>-</u>	<u>164,978</u>	<u>-</u>	<u>34,078</u>	<u>1,105,905</u>
Excess (deficiency) of operating receipts over operating disbursements	<u>67,951</u>	<u>11,411</u>	<u>28,082</u>	<u>-</u>	<u>11,191</u>	<u>2,664</u>	<u>24,339</u>	<u>6,450</u>	<u>29,274</u>	<u>181,362</u>
NONOPERATING RECEIPTS (DISBURSEMENTS):										
Sale of capital assets	3,834	-	3,536	-	-	495	-	-	13,163	21,028
Purchase or construction of capital assets	(7,639)	(64,138)	(28,990)	(1,505)	(6,595)	-	(12,273)	(127,847)	(3,635)	(252,622)
Repayment of interfund loans	-	-	-	68,359	-	-	-	-	(50,000)	18,359
Repayment of loans to business	-	-	-	100,000	-	-	-	-	-	100,000
Principal paid on long-term debt	-	-	-	(28,000)	-	-	-	-	-	(28,000)
Interest paid on long-term debt	-	-	-	(18,060)	-	-	-	-	(7,733)	(25,793)
Interest on investments	2,138	1,995	914	15,428	1,626	1,996	704	1,968	417	27,186
Total nonoperating receipts (disbursements)	<u>(1,667)</u>	<u>(62,143)</u>	<u>(24,540)</u>	<u>136,222</u>	<u>(4,969)</u>	<u>2,491</u>	<u>(11,569)</u>	<u>(125,879)</u>	<u>(47,788)</u>	<u>(139,842)</u>

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

CITY OF GRUNDY CENTER, IOWA
Statement of Cash Receipts, Disbursements and
Changes in Cash Balances - Proprietary - Enterprise Funds
As of and for the year ended June 30, 2012

	<u>Water</u>	<u>Water Reserve</u>	<u>Sanitary Sewer</u>	<u>Sanitary Sewer Reserve</u>	<u>Sanitation</u>	<u>Sanitation Reserve</u>	<u>Ambulance</u>	<u>Ambulance Trust</u>	<u>Nonmajor Storm Sewer Fund</u>	<u>Totals</u>
Excess (deficiency) of receipts over disbursements	66,284	(50,732)	3,542	136,222	6,222	5,155	12,770	(119,429)	(18,514)	41,520
TRANSFERS	-	-	-	-	-	-	-	-	(30,000)	(30,000)
NET CHANGE IN CASH BALANCE	66,284	(50,732)	3,542	136,222	6,222	5,155	12,770	(119,429)	(48,514)	11,520
CASH BALANCE, BEGINNING OF YEAR	<u>248,026</u>	<u>303,174</u>	<u>124,247</u>	<u>298,943</u>	<u>217,059</u>	<u>201,003</u>	<u>91,813</u>	<u>343,350</u>	<u>58,656</u>	<u>1,886,271</u>
CASH BALANCE, END OF YEAR	<u>\$ 314,310</u>	<u>\$ 252,442</u>	<u>\$ 127,789</u>	<u>\$ 435,165</u>	<u>\$ 223,281</u>	<u>\$ 206,158</u>	<u>\$ 104,583</u>	<u>\$ 223,921</u>	<u>\$ 10,142</u>	<u>\$ 1,897,791</u>
CASH BASIS FUND BALANCE:										
Restricted for debt service	\$ -	\$ -	\$ -	\$ 28,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,000
Unrestricted	<u>314,310</u>	<u>252,442</u>	<u>127,789</u>	<u>407,165</u>	<u>223,281</u>	<u>206,158</u>	<u>104,583</u>	<u>223,921</u>	<u>10,142</u>	<u>1,869,791</u>
Total cash basis fund balance	<u>\$ 314,310</u>	<u>\$ 252,442</u>	<u>\$ 127,789</u>	<u>\$ 435,165</u>	<u>\$ 223,281</u>	<u>\$ 206,158</u>	<u>\$ 104,583</u>	<u>\$ 223,921</u>	<u>\$ 10,142</u>	<u>\$ 1,897,791</u>

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

CITY OF GRUNDY CENTER, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Grundy Center is a political subdivision of the State of Iowa located in Grundy County. It was first incorporated in 1877 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor - Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Grundy Center has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Grundy Center and does not include the Grundy Center Municipal Light and Power Company, a component unit of the City. This component unit discussed below should be included in the City's reporting entity because of the significance of its operational and financial relationship with the City. Complete financial statements of the Grundy Center Municipal Light and Power Company can be obtained from its administration office.

The Grundy Center Municipal Light and Power Company is legally separate from the City, but is financially accountable to the City. The Utility is governed by a three member board of trustees appointed by the Mayor with approval by the City Council, and the Utility's operating budget is subject to the approval of the City Council.

The City of Grundy Center also participates in jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the Grundy County Landfill Commission and the Sports Recreation Complex in conjunction with the Grundy Center Community School District.

B. Government-wide and Fund Financial Statements

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

CITY OF GRUNDY CENTER, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and Fund Financial Statements (continued)

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

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.

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

A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type (that is total governmental funds or total enterprise funds) and;
- b. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the City believes is particularly important to financial statement users may be reported as a major fund.

CITY OF GRUNDY CENTER, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and Fund Financial Statements (continued)

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. The General Fund pays all general operating disbursements and the capital outlay costs that are not paid from other funds.

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

The Special Revenue - Other Taxes Fund is used for the collection of taxes to finance employee benefits and the TIF increment.

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

The Capital Projects – Fire Equipment Fund is used to account for the accumulation of resources for replacement of fire related equipment.

The City reports the following major proprietary (enterprise) funds:

The Water Fund accounts for the operation and maintenance of the City's water system.
The Water Reserve Fund is a reserve for capital improvements to the City's water system.

The Sanitary Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.
The Sanitary Sewer Reserve Fund is a reserve for capital improvements to the City's wastewater treatment and sanitary sewer system.

The Sanitation Fund accounts for operation of the City's garbage collection.
The Sanitation Reserve Fund is a reserve for capital equipment for the City's sanitation system.

The Ambulance Fund accounts for the day to day operations of the City's ambulance department.
The Ambulance Trust Fund is a reserve for capital equipment for the City's ambulance department.

The above reserve funds are used for debt service for the related enterprise fund.

CITY OF GRUNDY CENTER, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and Fund Financial Statements (continued)

The City reports the following nonmajor governmental funds:

<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>
Library Gift Trust	Equipment Reserve
Fire Department Gift Trust	Police Reserve
Admin-Econ Development Gift Trust	Community Betterment
Park Board Gift Trust	Housing Rehabilitation
Community Center Gift Trust	TIF Projects
Ambulance Gift Trust	D & D Program
Tree Gift Trust	Continuing Projects
Visoning Grant	
Special Assessment Projects	

The City also reports a Storm Sewer nonmajor enterprise fund.

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 accounting principles generally accepted in the United States of America.

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

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

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

CITY OF GRUNDY CENTER, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Governmental Cash Basis Fund Balances

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

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

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

Committed – Amounts which can be used only for specified purposes pursuant to constraints formally imposed by the City Council through resolution approved prior to year end.

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded amounts budgeted in the public works, community and economic development, and business-type activities functions.

F. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2010, to compute the amounts which became liens on property on July 1, 2011. These taxes were due and payable in two installments on September 30, 2011 and March 31, 2012, at the Grundy County Treasurer's Offices. These taxes are recognized as income to the City when they are received from the county.

CITY OF GRUNDY CENTER, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 - CASH AND INVESTMENTS

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 bankers acceptances that mature within 270 days, certain high-rated commercial paper that matures within 270 days; perfected repurchase agreements; and certain registered open-end management investment companies.

The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

To diversify its investments, the City's policy requires:

Prime bankers acceptances - no more than 10% of the investment portfolio shall be invested in prime bankers acceptances, and no more than 5% in a single issuer.

Commercial paper - no more than 10% of the investment portfolio shall be invested in commercial paper, no more than 5% in a single issuer and no more than 5% in commercial paper in the second highest rating classification.

At June 30, 2012, the City's deposits consisted of cash, cash equivalents and bank certificates of deposit as follows:

	Carrying Value	Bank Balance
Checking account	\$ 106,308	\$ 182,291
Money market and savings accounts	2,637,251	2,637,251
Certificates of deposit	445,701	446,344
Petty cash	85	-
Total	\$ 3,189,345	\$ 3,265,886

Custodial Credit Risk for Deposits - Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City does not have a formal policy on this type of deposit risk.

The City's deposits at June 30, 2012, 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.

CITY OF GRUNDY CENTER, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 3 - BONDS AND NOTES PAYABLE

Long-term debt activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General governmental activities					
General obligation bonds	\$ 3,090,000	\$ -	\$ 210,000	\$ 2,880,000	\$ 235,000
Tax increment financing bonds	431,125	-	30,368	400,757	30,170
	<u>\$ 3,521,125</u>	<u>\$ -</u>	<u>\$ 240,368</u>	<u>\$ 3,280,757</u>	<u>\$ 265,170</u>
Business-type activities					
Revenue bonds	<u>\$ 602,000</u>	<u>\$ -</u>	<u>\$ 28,000</u>	<u>\$ 574,000</u>	<u>\$ 29,000</u>

The details of the outstanding debt are as follows:

Type	Date of Issue	Interest Rate	Principal Payable	Interest Payable	Original Amount	Outstanding Balance
General obligation refunding bonds	11/01/10	1.0 - 3.75%	6/01/11 - 25	6/01 & 12/01	\$ 670,000	\$ 570,000
General obligation aquatic center bonds	07/15/07	4.35 - 4.95%	6/01/09 - 26	6/01 & 12/01	2,700,000	2,310,000
						<u>2,880,000</u>
TIF Urban Renewal Revenue Bond	12/30/10	5.375%	6/01/11 - 20	6/01 & 12/01	260,000	260,000
TIF Urban Renewal Revenue Bond	06/30/04	5.25%	6/01/06 - 17	6/01 & 12/01	268,000	140,757
						<u>400,757</u>
Total governmental activities						<u>\$ 3,280,757</u>
Sewer Revenue Bond	02/26/08	3.0%	6/01/09 - 28	6/01 & 12/01	680,000	<u>\$ 574,000</u>

The annual debt service requirements to maturity of general obligation bonds, tax increment financing bonds and a revenue bond are as follows:

Year Ending June 30	General Obligation Bonds		Tax Increment Financing Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 235,000	\$ 120,722	\$ 30,170	\$ 21,192	\$ 29,000	\$ 17,220
2014	250,000	111,451	39,526	19,567	29,000	16,350
2015	260,000	101,583	51,956	17,439	30,000	15,480
2016	210,000	91,368	62,456	14,649	31,000	14,580
2017	215,000	82,383	73,649	11,280	32,000	13,650
2018 - 2022	1,195,000	273,176	143,000	14,244	175,000	53,250
2023 - 2027	515,000	56,726	-	-	204,000	25,320
2028	-	-	-	-	44,000	1,320
	<u>\$ 2,880,000</u>	<u>\$ 837,409</u>	<u>\$ 400,757</u>	<u>\$ 98,371</u>	<u>\$ 574,000</u>	<u>\$ 157,170</u>

CITY OF GRUNDY CENTER, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 3 - BONDS AND NOTES PAYABLE (continued)

Urban Renewal Tax Increment Financing Revenue Bonds

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the tax increment financing collections and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City, however the debt is subject to the constitutional debt limitation. For the current year, interest paid and total TIF receipts were \$14,013 and \$193,165, respectively.

Sewer Revenue Bond

The City has pledged future sewer customer receipts, net of operating disbursements, to repay \$655,000 in a sewer revenue bond issued February 2008. Proceeds from the bond provided financing for the construction of improvements and extensions to the sewer treatment plant. The bond is payable solely from sewer customer net receipts and are payable through 2028. For the current year, interest paid and total customer net receipts were \$18,060 and \$217,840, respectively.

The loan and disbursement agreement contains numerous requirements. The City believes that it is in compliance with all requirements except that "net revenues" from operation of the system did not exceed 110% of the principal and interest due on the bonds.

Refunding Bonds

In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2012, \$180,000 of bonds outstanding are considered defeased.

Debt Limit

Pursuant to the Code of Iowa, the City's debt is limited to 5% of assessed value as follows:

Assessed value	\$ <u>116,363,102</u>
Debt limit - 5% of assessed value	\$ 5,818,155
Debt outstanding	<u>3,854,757</u>
Debt margin	<u>\$ 1,963,398</u>

CITY OF GRUNDY CENTER, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 4 - INTERFUND LOANS

The City has authorized the use of Enterprise, Sewer Reserve Fund resources to help finance the construction of the new city hall building. At June 30, 2012, \$61,783 is due from the General Fund. Interest is to be charged at the rate of 3.5% on all outstanding balances. The loan is to be repaid from annual department appropriations of approximately \$21,500.

The City has authorized the use of Enterprise, Sanitary Sewer Reserve Fund resources to help finance the new Enterprise, Storm Sewer Fund. At June 30, 2012, \$100,000 is due from the Enterprise, Storm Sewer Fund. Interest is to be charged at the rate of 3.25% on all outstanding balances. The loan is to be repaid from future collections of storm sewer funds.

NOTE 5 - 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, which 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 5.38% of their annual covered salary and the City is required to contribute 8.07% 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, 2012, 2011 and 2010 were \$75,526, \$52,366 and \$45,838, respectively, equal to the required contributions for each year.

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all permanent employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plan), subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant. The balance as of June 30, 2012 was \$55,596.

CITY OF GRUNDY CENTER, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

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

Funding Policy - The contribution requirements of plan members are currently established by the City and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City are \$566 for a single plan and \$1,404 for a family plan. The same monthly premiums apply to retirees. For the fiscal year ended June 30, 2012, the City contributed \$15,876 to the plan.

The City currently has two retirees who receive this benefit and one active employee who may become eligible for this benefit. The City has not performed an actuarial valuation and believes that the amount of OPEB liability is not material.

NOTE 7 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours based on the length of employment for subsequent use or for payment upon termination, retirement or death. Sick leave is not a vested benefit. It is payable when used and may be accumulated at the rate of nine days per year, to a maximum of 90 days. At termination, all sick leave accumulated but unused is forfeited, except employees with 15 years of full-time employment shall be entitled to 20% of the value of their sick leave balance. Vacation is payable when used and must be used within 12.5 months of the vesting date. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2012, primarily relating to the General Fund, is \$57,153. This liability has been computed based on rates of pay in effect at June 30, 2012.

NOTE 8 - HEALTH INSURANCE COSTS

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

CITY OF GRUNDY CENTER, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 9 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

	Transfers In				Total
	General Fund	Other Taxes Fund	Debt Service Fund	Capital Projects Fund	
Transfers Out					
General Fund	\$ -	\$ 3,803	\$ -	\$ 9,882	\$ 13,685
Special Revenue Fund	254,653	-	193,165	-	447,818
Capital Projects Fund	-	-	23,000	-	23,000
Enterprise Fund - Storm Sewer Fund	-	-	30,000	-	30,000
Total	<u>\$254,653</u>	<u>\$ 3,803</u>	<u>\$246,165</u>	<u>\$ 9,882</u>	<u>\$514,503</u>

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

NOTE 10 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11 - LANDFILL COMMITMENT

The City of Grundy Center participates in a 28E organization with Grundy County and other cities in Grundy County. This organization is the Grundy County Landfill Commission. The landfill is closed and is in the postclosure stage. The estimated cost of postclosure is approximately \$796,183, all of which has been funded.

CITY OF GRUNDY CENTER, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 12 - SUBSEQUENT EVENT

In July, 2012, the City Council approved the purchase of a fire truck at an approximate cost of \$265,000.

Management evaluated subsequent events through January 17, 2013, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2012, but prior to January 17, 2013, that provided additional evidence about conditions that existed at June 30, 2012, have been recognized in the financial statements for the year ended June 30, 2012. Events or transactions that provided evidence about conditions that did not exist at June 30, 2012, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2012.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GRUNDY CENTER, IOWA
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances
Budget and Actual (Cash Basis) - All Governmental and Proprietary Funds
Required Supplementary Information
Year ended June 30, 2012

	Governmental Funds	Proprietary Funds	Total Actual	Budgeted Amounts		Variance with Final Budget
	Actual	Actual		Original	Final	
RECEIPTS:						
Property tax	\$ 1,061,098	\$ -	\$ 1,061,098	\$ 1,067,624	\$ 1,067,624	\$ (6,526)
Tax increment financing collections	193,165	-	193,165	191,998	191,998	1,167
Other city tax	212,264	-	212,264	210,857	210,857	1,407
Licenses and permits	7,458	-	7,458	6,872	6,872	586
Use of money and property	58,075	27,186	85,261	104,269	108,126	(22,865)
Intergovernmental	306,946	34,121	341,067	325,293	335,293	5,774
Charges for services	136,366	1,189,713	1,326,079	1,330,450	1,231,600	94,479
Miscellaneous	131,488	63,433	194,921	151,450	234,104	(39,183)
Total receipts	<u>2,106,860</u>	<u>1,314,453</u>	<u>3,421,313</u>	<u>3,388,813</u>	<u>3,386,474</u>	<u>34,839</u>
DISBURSEMENTS:						
Public safety	350,478	-	350,478	361,169	363,570	13,092
Public works	456,596	-	456,596	476,399	524,399	67,803
Health and social services	2,320	-	2,320	2,320	2,320	-
Culture and recreation	401,495	-	401,495	398,575	431,303	29,808
Community and economic development	190,023	-	190,023	74,016	122,345	(67,678)
General government	215,398	-	215,398	214,494	232,474	17,076
Debt service	-	-	-	377,843	392,343	392,343
Capital projects	151,795	-	151,795	178,100	235,110	83,315
Business type activities	-	1,105,905	1,105,905	1,368,126	1,189,393	83,488
Total disbursements	<u>1,768,105</u>	<u>1,105,905</u>	<u>2,874,010</u>	<u>3,451,042</u>	<u>3,493,257</u>	<u>619,247</u>
Excess (deficiency) of receipts over disbursements	338,755	208,548	547,303	(62,229)	(106,783)	654,086

CITY OF GRUNDY CENTER, IOWA
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances
Budget and Actual (Cash Basis) - All Governmental and Proprietary Funds
Required Supplementary Information
Year ended June 30, 2012

	Governmental	Proprietary	Total	Budgeted Amounts		Variance with Final Budget
	Funds	Funds		Original	Final	
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>			
OTHER FINANCING SOURCES, NET	\$ 75,039	\$ 18,214	\$ 93,253	\$ -	\$ 656,000	\$ (562,747)
Excess (deficiency) of receipts and other sources over disbursements and other uses	413,794	226,762	640,556	(62,229)	549,217	91,339
BALANCES, BEGINNING OF YEAR	<u>1,244,466</u>	<u>1,886,271</u>	<u>3,130,737</u>	<u>3,122,446</u>	<u>3,122,446</u>	<u>8,291</u>
BALANCES, END OF YEAR	<u>\$ 1,658,260</u>	<u>\$ 2,113,033</u>	<u>\$ 3,771,293</u>	<u>\$ 3,060,217</u>	<u>\$ 3,671,663</u>	<u>\$ 99,630</u>

CITY OF GRUNDY CENTER
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2012

NOTE 1 - BUDGETARY REPORTING

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements and revenues by \$370,938 and \$162,211, respectively. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded amounts budgeted in the community and economic development function.

SUPPLEMENTARY INFORMATION

CITY OF GRUNDY CENTER, IOWA
Combining Schedule of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>TIF Debt Service</u>	<u>Totals</u>
RECEIPTS:				
Other city tax	\$ -	\$ 103,914	\$ -	\$ 103,914
Use of money and property	632	3,543	334	4,509
Intergovernmental	19,551	-	-	19,551
Special assessments	25,000	-	-	25,000
Miscellaneous	68,956	10,038	-	78,994
Total receipts	<u>114,139</u>	<u>117,495</u>	<u>334</u>	<u>231,968</u>
DISBURSEMENTS:				
Current:				
Public safety	2,785	-	-	2,785
Culture and recreation	48,813	-	-	48,813
Community and economic development	44,115	77,565	58,349	180,029
Debt service				
Principal	-	-	70,369	70,369
Interest and fees	-	-	77,524	77,524
Capital outlay	-	151,795	-	151,795
Total disbursements	<u>95,713</u>	<u>229,360</u>	<u>206,242</u>	<u>531,315</u>
Excess (deficiency) of receipts over disbursements	<u>18,426</u>	<u>(111,865)</u>	<u>(205,908)</u>	<u>(299,347)</u>
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	-	20,898	42,500	63,398
Transfers in	-	9,882	216,165	226,047
Transfers out	-	(23,000)	-	(23,000)
Total other financing sources (uses)	<u>-</u>	<u>7,780</u>	<u>258,665</u>	<u>266,445</u>
NET CHANGE IN CASH BALANCE	18,426	(104,085)	52,757	(32,902)
CASH BALANCE, BEGINNING OF YEAR	<u>76,244</u>	<u>592,103</u>	<u>(16,180)</u>	<u>652,167</u>
CASH BALANCE, END OF YEAR	<u>\$ 94,670</u>	<u>\$ 488,018</u>	<u>\$ 36,577</u>	<u>\$ 619,265</u>
CASH BASIS FUND BALANCE:				
Restricted for:				
Urban renewal	\$ -	\$ 10,445	\$ -	\$ 10,445
Capital projects	-	190,812	-	190,812
Debt service	-	-	36,577	36,577
Other purposes	81,805	26,325	-	108,130
Assigned for capital projects	-	260,436	-	260,436
Assigned	12,865	-	-	12,865
Total cash basis fund balance	<u>\$ 94,670</u>	<u>\$ 488,018</u>	<u>\$ 36,577</u>	<u>\$ 619,265</u>

CITY OF GRUNDY CENTER, IOWA
Combining Schedule of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2012

	<u>Library Gift Trust</u>	<u>Fire Dept Gift Trust</u>	<u>Admin- Econ Development Gift Trust</u>	<u>Park Board Gift Trust</u>	<u>Community Center Gift Trust</u>	<u>Ambulance Gift Trust</u>	<u>Tree Gift Trust</u>	<u>Visioning Grant</u>	<u>Special Assessment Projects</u>	<u>Totals</u>
RECEIPTS:										
Use of money and property	\$ 233	\$ 56	\$ -	\$ 143	\$ 85	\$ 59	\$ 21	\$ 30	\$ 5	\$ 632
Intergovernmental	1,301	-	18,250	-	-	-	-	-	-	19,551
Special assessments	-	-	-	-	-	-	-	-	25,000	25,000
Miscellaneous	15,248	3,000	13,350	8,020	14,384	4,520	500	9,934	-	68,956
Total receipts	<u>16,782</u>	<u>3,056</u>	<u>31,600</u>	<u>8,163</u>	<u>14,469</u>	<u>4,579</u>	<u>521</u>	<u>9,964</u>	<u>25,005</u>	<u>114,139</u>
DISBURSEMENTS:										
Current:										
Public safety	-	2,785	-	-	-	-	-	-	-	2,785
Culture and recreation	20,713	-	-	9,089	13,852	5,159	-	-	-	48,813
Community and economic development	-	-	34,783	-	-	-	15	9,317	-	44,115
Total disbursements	<u>20,713</u>	<u>2,785</u>	<u>34,783</u>	<u>9,089</u>	<u>13,852</u>	<u>5,159</u>	<u>15</u>	<u>9,317</u>	<u>-</u>	<u>95,713</u>
NET CHANGE IN CASH BALANCES	(3,931)	271	(3,183)	(926)	617	(580)	506	647	25,005	18,426
CASH BALANCES, BEGINNING OF YEAR	<u>32,881</u>	<u>8,177</u>	<u>3,250</u>	<u>18,725</u>	<u>8,799</u>	<u>9,455</u>	<u>3,218</u>	<u>3,879</u>	<u>(12,140)</u>	<u>76,244</u>
CASH BALANCES, END OF YEAR	<u>\$ 28,950</u>	<u>\$ 8,448</u>	<u>\$ 67</u>	<u>\$ 17,799</u>	<u>\$ 9,416</u>	<u>\$ 8,875</u>	<u>\$ 3,724</u>	<u>\$ 4,526</u>	<u>\$ 12,865</u>	<u>\$ 94,670</u>
CASH BASIS FUND BALANCES:										
Restricted	28,950	8,448	67	17,799	9,416	8,875	3,724	4,526	\$ -	\$ 81,805
Assigned	-	-	-	-	-	-	-	-	12,865	12,865
Total cash basis fund balances	<u>\$ 28,950</u>	<u>\$ 8,448</u>	<u>\$ 67</u>	<u>\$ 17,799</u>	<u>\$ 9,416</u>	<u>\$ 8,875</u>	<u>\$ 3,724</u>	<u>\$ 4,526</u>	<u>\$ 12,865</u>	<u>\$ 94,670</u>

CITY OF GRUNDY CENTER, IOWA
Combining Schedule of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Capital Projects Funds
For the Year Ended June 30, 2012

	<u>Equipment Reserve</u>	<u>Police Reserve</u>	<u>Community Betterment</u>	<u>Housing Rehabilitation</u>	<u>TIF Projects</u>	<u>D & D Program</u>	<u>Continuing Projects</u>	<u>Totals</u>
RECEIPTS:								
Other city taxes	\$ -	\$ -	\$ 103,914	\$ -	\$ -	\$ -	\$ -	\$ 103,914
Use of money and property	975	104	1,295	-	224	-	945	3,543
Intergovernmental	-	-	-	-	-	-	-	-
Miscellaneous	1,436	1,102	6,000	-	1,500	-	-	10,038
Total receipts	<u>2,411</u>	<u>1,206</u>	<u>111,209</u>	<u>-</u>	<u>1,724</u>	<u>-</u>	<u>945</u>	<u>117,495</u>
DISBURSEMENTS:								
Current - Community and economic development	-	-	77,558	7	-	-	-	77,565
Capital outlay	510	-	-	-	1,500	-	149,785	151,795
Total disbursements	<u>510</u>	<u>-</u>	<u>77,558</u>	<u>7</u>	<u>1,500</u>	<u>-</u>	<u>149,785</u>	<u>229,360</u>
Excess (deficiency) of receipts over disbursements	<u>1,901</u>	<u>1,206</u>	<u>33,651</u>	<u>(7)</u>	<u>224</u>	<u>-</u>	<u>(148,840)</u>	<u>(111,865)</u>
OTHER FINANCING SOURCES (USES):								
Sale of capital assets	3,087	311	-	-	17,500	-	-	20,898
Transfers in	1,882	8,000	-	-	-	-	-	9,882
Transfers outs	-	-	-	-	(23,000)	-	-	(23,000)
Total other financing sources (uses)	<u>4,969</u>	<u>8,311</u>	<u>-</u>	<u>-</u>	<u>(5,500)</u>	<u>-</u>	<u>-</u>	<u>7,780</u>
NET CHANGE IN CASH BALANCE	6,870	9,517	33,651	(7)	(5,276)	-	(148,840)	(104,085)
CASH BALANCE, BEGINNING OF YEAR	<u>127,666</u>	<u>13,226</u>	<u>157,161</u>	<u>10,452</u>	<u>31,601</u>	<u>3,144</u>	<u>248,853</u>	<u>592,103</u>
CASH BALANCE, END OF YEAR	<u>\$ 134,536</u>	<u>\$ 22,743</u>	<u>\$ 190,812</u>	<u>\$ 10,445</u>	<u>\$ 26,325</u>	<u>\$ 3,144</u>	<u>\$ 100,013</u>	<u>\$ 488,018</u>
CASH BASIS FUND BALANCE:								
Restricted for:								
Urban renewal	\$ -	\$ -	\$ -	10,445	\$ -	\$ -	\$ -	\$ 10,445
Capital projects	-	-	190,812	-	-	-	-	190,812
Other purposes	-	-	-	-	26,325	-	-	26,325
Assigned	134,536	22,743	-	-	-	3,144	100,013	260,436
Total cash basis fund balance	<u>\$ 134,536</u>	<u>\$ 22,743</u>	<u>\$ 190,812</u>	<u>\$ 10,445</u>	<u>\$ 26,325</u>	<u>\$ 3,144</u>	<u>\$ 100,013</u>	<u>\$ 488,018</u>

CITY OF GRUNDY CENTER, IOWA
Schedule of Indebtedness
For the Year Ended June 30, 2012

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
General obligation loans:								
GO Corp Purpose & Refunding Bond	11/1/2010	1.00%-3.75%	\$ 670,000	\$ 655,000	\$ -	\$ 85,000	\$ 570,000	\$ 16,353
GO Urban Renewal Aquatic Center	7/15/2007	4.20%-4.95%	1,500,000	1,235,000	-	95,000	1,140,000	56,460
GO Urban Renewal Aquatic Center (TIF)	7/15/2007	4.20%-4.95%	1,200,000	1,200,000	-	30,000	1,170,000	54,947
Total				<u>3,090,000</u>	<u>-</u>	<u>210,000</u>	<u>2,880,000</u>	<u>127,760</u>
	3/7/2038							
Revenue bond:								
Sewer Revenue Bonds	2/26/2008	3.00%	655,000	602,000	-	28,000	574,000	18,060
	5/8/2042							
Urban renewal tax increment financing (TIF) revenue bonds:								
Urban Renewal TIF revenue bond	3/20/2000	6.50%	135,000	6,322	-	6,322	-	302
Urban Renewal TIF revenue bond	12/30/2010	5.38%	260,000	260,000	-	-	260,000	14,013
Urban Renewal TIF revenue bond	6/30/2004	5.25%	268,000	164,803	-	24,046	140,757	8,341
Total				<u>431,125</u>	<u>-</u>	<u>30,368</u>	<u>400,757</u>	<u>22,656</u>
Total indebtedness				<u>\$ 4,123,125</u>	<u>\$ -</u>	<u>\$ 268,368</u>	<u>\$ 3,854,757</u>	<u>\$ 168,476</u>

CITY OF GRUNDY CENTER, IOWA
Schedule of Bond and Note Maturities
June 30, 2012

General Obligation Loans

Year ending June 30,	Urban Renewal Aquatic Center Issued July 15, 2007		Urban Renewal Aquatic Center Issued July 15, 2007		GO Corporate Purpose Bonds Issued November, 1, 2010		Total
	Principal	Interest Rates	Principal	Interest Rates	Principal	Interest Rates	
2013	\$ 60,000	4.95%	\$ 95,000	4.95%	\$ 80,000	2.00%	\$ 235,000
2014	65,000	4.95%	100,000	4.95%	85,000	2.00%	250,000
2015	70,000	4.95%	100,000	4.95%	90,000	2.00%	260,000
2016	70,000	4.55%	110,000	4.55%	30,000	2.65%	210,000
2017	75,000	4.20%	110,000	4.20%	30,000	2.65%	215,000
2018	75,000	4.30%	115,000	4.30%	30,000	2.65%	220,000
2019	80,000	4.35%	120,000	4.35%	30,000	3.40%	230,000
2020	85,000	4.40%	120,000	4.40%	30,000	3.40%	235,000
2021	90,000	4.45%	130,000	4.45%	30,000	3.40%	250,000
2022	90,000	4.50%	140,000	4.50%	30,000	3.40%	260,000
2023	95,000	4.55%	-	-	35,000	3.75%	130,000
2024	100,000	4.60%	-	-	35,000	3.75%	135,000
2025	105,000	4.65%	-	-	35,000	3.75%	140,000
2026	110,000	4.70%	-	-	-	-	110,000
	<u>\$ 1,170,000</u>		<u>\$ 1,140,000</u>		<u>\$ 570,000</u>		<u>\$ 2,880,000</u>

CITY OF GRUNDY CENTER, IOWA
Schedule of Bond and Note Maturities
June 30, 2012

Year ending June 30,	<u>Tax Increment</u>					<u>Sewer Revenue</u>	
	<u>Urban Renewal</u>		<u>Urban Renewal</u>		<u>Bond</u>		
	<u>Tax Increment</u>		<u>Tax Increment</u>		<u>Issued February 26, 2008</u>		
	<u>Issued June 30, 2004</u>		<u>Issued December 30, 2010</u>		<u>Principal</u>	<u>Interest</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Rates</u>
2013	\$ 25,170	5.25%	\$ 5,000	5.38%	\$ 30,170	\$ 29,000	3.00%
2014	26,526	5.25%	13,000	5.38%	39,526	29,000	3.00%
2015	27,956	5.25%	24,000	5.38%	51,956	30,000	3.00%
2016	29,456	5.25%	33,000	5.38%	62,456	31,000	3.00%
2017	31,649	5.25%	42,000	5.38%	73,649	32,000	3.00%
2018	-		51,000	5.38%	51,000	33,000	3.00%
2019	-		62,000	5.38%	62,000	34,000	3.00%
2020	-		30,000	5.38%	30,000	35,000	3.00%
2021	-		-		-	36,000	3.00%
2022	-		-		-	37,000	3.00%
2023	-		-		-	38,000	3.00%
2024	-		-		-	40,000	3.00%
2025	-		-		-	41,000	3.00%
2026	-		-		-	42,000	3.00%
2027	-		-		-	43,000	3.00%
2028	-		-		-	44,000	3.00%
	<u>\$ 140,757</u>		<u>\$ 260,000</u>		<u>\$ 400,757</u>	<u>\$ 574,000</u>	

CITY OF GRUNDY CENTER, IOWA
Schedule of Receipts by Source and Disbursements By Function -
All Governmental Funds
For the Last Ten Years

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
RECEIPTS:										
Property tax	\$ 1,061,098	\$ 1,054,786	\$ 986,636	\$ 980,859	\$ 846,224	\$ 878,983	\$ 793,576	\$ 769,143	\$ 712,802	\$ 700,717
Tax increment financing collections	193,165	165,119	140,400	176,200	134,272	113,161	98,702	86,642	92,621	118,378
Other city tax	212,264	201,233	182,004	192,884	177,878	181,982	159,582	144,166	139,534	139,986
Licenses and permits	7,458	6,309	6,410	5,802	5,066	5,206	7,485	7,928	6,015	6,668
Use of money and property	58,075	28,188	31,181	36,017	105,295	57,244	55,810	47,291	44,224	133,458
Intergovernmental	306,946	282,953	278,781	398,665	298,492	288,327	516,825	340,691	380,403	285,994
Special assessments	25,000	2,962	3,170	7,550	4,995	25,634	26,378	74,076	80,414	743,558
Charges for services	136,366	130,002	121,056	124,985	60,213	60,217	85,245	65,316	36,762	75,606
Miscellaneous	131,488	254,532	174,633	275,903	342,221	124,300	225,084	117,547	121,837	186,161
Total	\$ 2,131,860	\$ 2,126,084	\$ 1,924,271	\$ 2,198,865	\$ 1,974,656	\$ 1,735,054	\$ 1,968,687	\$ 1,652,800	\$ 1,614,612	\$ 2,390,526
DISBURSEMENTS:										
Operating:										
Public safety	\$ 350,478	\$ 342,692	\$ 357,985	\$ 314,050	\$ 285,389	\$ 262,614	\$ 284,886	\$ 275,918	\$ 269,802	\$ 307,759
Public works	456,596	420,649	478,164	549,860	463,046	451,869	587,681	406,261	449,217	323,180
Health and social services	2,320	2,320	1,820	1,820	4,520	4,020	4,020	4,020	4,020	4,020
Culture and recreation	401,495	412,746	401,056	345,664	303,227	290,401	317,876	310,284	291,491	280,383
Community and economic development	190,023	52,311	68,166	73,997	149,609	181,294	206,680	139,621	185,187	149,882
General government	215,398	208,024	198,727	200,029	185,502	177,220	185,679	167,467	173,380	169,494
Debt service	391,706	352,635	344,954	380,580	173,397	50,740	51,340	51,903	52,413	52,712
Capital projects	151,795	418,241	51,256	392,654	2,983,860	565,344	457,461	445,228	144,579	554,850
Total	\$ 2,159,811	\$ 2,209,618	\$ 1,902,128	\$ 2,258,654	\$ 4,548,550	\$ 1,983,502	\$ 2,095,623	\$ 1,800,702	\$ 1,570,089	\$ 1,842,280

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Grundy Center, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated January 17, 2013, in which we rendered a qualified opinion as the financial statements omitted the Grundy Center Municipal Power & Light Company component unit. The financial statements were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's 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 that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Responses as items 2012-1 and 2012-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Grundy Center Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the findings were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Grundy Center Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the City of Grundy Center Iowa's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City Council and management of the City of Grundy Center, Iowa and those parties to whom the City of Grundy Center, Iowa may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Clifton Larson Allen LLP

Cedar Rapids, Iowa
January 17, 2013

CITY OF GRUNDY CENTER, IOWA
Schedule of Findings and Responses
Year ended June 30, 2012

PART I: SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS

1. A qualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.
2. Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
3. The audit did not disclose any noncompliance which is material to the financial statements.

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS

2012-1 Segregation of Duties

Criteria:

The City is responsible for the establishment of adequate segregation of duties to provide for the accuracy and reliability of the financial statements.

Condition:

The City has a small staff and accordingly has not been able to achieve full segregation of duties over all accounting transactions.

Context:

Internal controls that are in place could be averted, overridden, or not consistently implemented.

Effect:

As a result of this condition, there is a higher risk that errors or irregularities could occur and not be detected within a timely period.

Cause:

The City has a limited number of personnel performing accounting functions.

Recommendation:

When this condition exists, management's close supervision and review of accounting information is the best means of preventing or detecting errors and irregularities. We recommend someone other than the City Clerk review and scan the monthly bank statements prior to the City Clerk reconciling the statements. We also recommend the City review other operating procedures to obtain the maximum internal control possible under the circumstances.

Management Response:

With a limited number of office employees, segregation of duties is sometimes difficult. Management is aware of the lack of segregation of duties and has considered alternatives to improve the situation. Management is monitoring the situation and is segregating accounting duties where practical.

CITY OF GRUNDY CENTER, IOWA
Schedule of Findings and Responses
Year ended June 30, 2012

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

2012-2 Preparation of Financial Statements

Criteria:

The City Council and management share the ultimate responsibility for the City's financial statements, including disclosures.

Condition:

The City has established accounting and reconciliation procedures related to the preparation of the financial statements, however, the City has not implemented procedures, to the degree necessary, to prepare the related disclosures to provide a high level of assurance that potential omissions or other errors that are material would be identified and corrected.

Context:

While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The independent auditor cannot be considered part of the City's internal control system. The City has implemented procedures to review the financial statements and disclosures but has not utilized review aids, such as a disclosure checklist, and may not have monitored recent accounting and reporting developments to the extent necessary to provide a high level of assurance that financial statement omissions or other errors would be identified and corrected.

Effect:

As a result of this condition, there is a higher risk that financial statement omissions or other errors could occur and not be detected.

Cause:

The City has relied on the independent auditor to some degree to provide assurance that the financial statements, including disclosures, are not materially misstated. In addition, the City has determined that it is not cost effective to monitor accounting and reporting requirements to the extent required to fully prepare all financial statement disclosures.

Recommendation:

We recommend that sufficient financial statement and disclosure review procedures be performed by an individual possessing a thorough understanding of applicable generally accepted accounting principles and knowledge of the City's activities and operations.

Management Response:

The City does not have the resources to employ staff possessing the detailed understanding of applicable generally accepted accounting principles to the extent required to utilize such a disclosure checklist. As a result, the City of Grundy Center has relied on the independent auditor to identify disclosures required in the financial statements.

CITY OF GRUNDY CENTER, IOWA
Schedule of Findings and Responses
Year ended June 30, 2012

PART III: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

III-A-2012 Certified Budget - Disbursements during the year ended June 30, 2012 exceeded the amounts budgeted in the general government function, prior to the budget being amended. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

III-B-2012 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-2012 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-2012 Business Transactions - There were no business transactions between the City and City officials or employees.

III-E-2012 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should continue to be reviewed annually to insure that the coverage is adequate for current operations.

III-F-2012 Council Minutes - Although minutes of Council proceedings were published, the City did not publish disbursements by fund or a summary of all receipts.

Recommendation - The City should comply with Chapter 21 of the Code of Iowa and publish disbursements by fund and a summary of receipts as required.

Response - We will include in minutes as required.

III-G-2012 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

III-H-2012 Revenue Bonds - No instances of noncompliance with the revenue bond and note resolutions were noted except that the City did not meet the 110% ratio of net revenues to debt service on the revenue bonds. All debt payments were made in a timely manner.

III-I-2012 Financial Condition - The City had no Funds with a deficit balance.