

**CITY OF GRUNDY CENTER**  
**INDEPENDENT AUDITORS' REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2014**

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**City of Grundy Center**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2014)</b>		
Rex Van Wert	Mayor	Jan 2014
Chad Hamann	Council Member	Jan 2014
David Stefl	Council Member	Jan 2014
Brian Buhrow	Council Member	Jan 2016
Janetta Miller	Council Member	Jan 2016
Kristy Sawyer	City Clerk/Treasurer	Indefinite
John Harris	City Attorney	Indefinite
<b>(After January 2014)</b>		
Brian Buhrow	Mayor	Jan 2016
Mike Ammerman	Council Member	Jan 2016
Janetta Miller	Council Member	Jan 2016
Al Kiewiet	Council Member	Jan 2017
Dave Stefl	Council Member	Jan 2018
Chad Hamann	Council Member	Jan 2018
Kristy Sawyer	City Clerk/Treasurer	Indefinite
Seth Schroeder	City Attorney	Indefinite

# Dennis P. Donovan

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## Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

### Report on the Financial Statements

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, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

**Basis for Adverse Opinion on Grundy Center Municipal Utilities Enterprise Fund and Qualified Opinion on Business-Type Activities** - Management has not included the financial activities of the Grundy Center Municipal Utilities, a component unit of the City of Grundy Center, Iowa in its financial statements. The cash basis of accounting, as described in Note 1, requires that this component unit be presented as a major enterprise fund and financial information about the Grundy Center Municipal Utilities be part of the business-type activities, thus increasing that activity's receipts, disbursements and net position. Had the Grundy Center Municipal Utilities been included, receipts and disbursements would have increased by \$4,881,848 and

\$5,362,159 respectively, the net change in net position would have decreased by \$480,311 and the Cash Basis Net Position would have increased by \$6,559,573.

**Adverse Opinion** – In our opinion, because of the significance of the matter described in the “Basis for Adverse Opinion on Grundy Center Municipal Utilities Enterprise Fund and Qualified Opinion on Business-Type Activities” paragraph, the financial statements referred to above do not present fairly, in conformity with the cash basis of accounting, the cash basis financial position of the proprietary funds and the business type activities of the City of Grundy Center, Iowa, as of June 30, 2014, or the changes in the cash basis financial position for the year then ended.

**Qualified Opinion** – In our opinion, except for the matter described in the “Basis for Adverse Opinion on Grundy Center Municipal Utilities Enterprise Fund and Qualified Opinion on Business-Type Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the cash basis net position of the business type activities, each major enterprise fund and the aggregate remaining enterprise fund information of the City of Grundy Center, Iowa, as of June 30, 2014 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.

**Unqualified Opinions** – 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, each major governmental fund, and the remaining governmental fund information of the City of Grundy Center, Iowa, as of June 30, 2014, and the respective changes in its governmental cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

#### Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

#### Other Matters

##### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grundy Center’s basic financial statements. The financial statements for the nine years ended June 30, 2013 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the third paragraph of this report and expressed adverse, qualified and unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information, except for that portion marked “Unaudited” (Schedule 4) on which we express no opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management’s Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 28 through 30 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 22, 2015 on our consideration of the City of Grundy Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts 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 in considering the City of Grundy Center's internal control over financial reporting and compliance.

Dennis P. Donovan, P.C.  
April 22, 2015

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Grundy Center provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2014 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 24.77%, or approximately \$527,695, from fiscal year 2013 to fiscal year 2014. Grants, contributions and restricted interest decreased approximately \$41,111 and bond proceeds increased approximately \$419,837. Tax Increment Financing receipts increased approximately \$30,582.
- Disbursements of the City's governmental activities increased .27%, or approximately \$6,041, in fiscal year 2014 from fiscal year 2013. Public Safety disbursements decreased approximately \$246,313 while Debt Service disbursements increased approximately \$56,652.
- The City's total cash basis net position increased 17.06%, or approximately \$525,119, from June 30, 2013 to June 30, 2014. Of this amount, the cash basis net position of the governmental activities increased approximately \$429,804 and the cash basis net position of the business type activities increased approximately \$95,315.

### 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 Cash Basis Statement of Activities and Net Position. 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.

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

Supplementary Information provides detailed information about the nonmajor governmental funds, and the City's indebtedness.

## **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 Position reports information which helps answer this question.

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

The Cash Basis Statement of Activities and Net Position 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 waterworks, the sanitary sewer and solid waste systems, storm sewer and ambulance, as well as reserve funds. 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 Urban Renewal Tax Increment, 3) the Debt Service Funds and 4) the Capital Projects Funds. 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 nine Enterprise Funds to provide separate information for Water and Reserve, Sewer and Reserve, Sanitation and Reserve, Ambulance and Reserve and Storm Sewer Funds.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from approximately \$1,196,614 to approximately \$1,616,418. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year Ended June 30,	
	2014	2013
<b>Receipts and Transfers:</b>		
Program Receipts:		
Charges for Service	\$ 167,751	90,307
Operating grants, contributions & restricted interest	320,881	361,992
Capital grants, contributions & restricted interest	-	33,255
General Receipts:		
Property tax	1,160,760	1,130,400
Tax increment financing	265,736	235,154
Local option sales tax	179,388	204,242
Grants, contributions not restricted to specific purpose	-	12,898
Unrestricted investment earnings	13,794	6,105
Note proceeds	419,837	-
Other general receipts	129,522	54,620
Transfers	-	10,000
Total Receipts and Transfers	<u>2,657,657</u>	<u>2,138,973</u>
Disbursements:		
Public safety	396,734	349,363
Public works	418,222	448,640
Health and social services	1,440	2,320
Culture and recreation	393,896	376,270
Community and economic development	68,214	136,969
General government	248,921	218,402
Debt Service	464,916	408,264
Capital projects	235,528	293,684
Total Disbursements	<u>2,227,871</u>	<u>2,233,912</u>
Change in Cash Basis Net Position	429,804	(94,939)
Cash Basis Net Position Beginning of Year	<u>1,196,614</u>	<u>1,291,553</u>
Cash Basis Net Position End of Year	<u>\$ 1,626,418</u>	<u>1,196,614</u>

The City's total receipts for governmental activities increased 24.24%, or approximately \$518,684. The total cost of all programs and services decreased approximately \$6,041, or .277%, with no new programs added this year. The increase in receipts was primarily the result of increased property tax, tax increment financing revenue and note proceeds.

The cost of all governmental activities this year was approximately \$2,227,871 compared to approximately \$2,233,912 last year. However, as shown in the Statement of Activities and Net Position on pages 15-16, the amount taxpayers ultimately financed for these activities was approximately \$2,169,043 because some of the cost

was paid by those directly benefiting from the programs (\$167,751) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$320,881). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2014 from approximately \$485,554, to approximately \$488,632. The City paid for the remaining "public benefit" portion of governmental activities with \$1,160,760 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

<u>Changes in Cash Basis Net Position of Business Type Activities</u>		
	<u>Year Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Receipts:		
Program receipts:		
Water	\$ 541,192	555,842
Sewer Rental	286,395	264,017
Storm Sewer	45,492	33,294
Sanitation	248,039	254,556
Ambulance	345,715	206,186
Total Receipts	<u>1,467,553</u>	<u>1,313,895</u>
Disbursements:		
Water	557,601	528,155
Sewer Rental	291,803	272,062
Storm Sewer	37,463	252,925
Sanitation	231,227	236,129
Ambulance	254,144	30,561
Total Disbursements	<u>1,372,238</u>	<u>1,319,832</u>
Transfers out	-	(10,000)
Change in Cash Basis Net Position	95,315	(15,937)
Cash Basis Net Position Beginning of Year	<u>1,881,852</u>	<u>1,897,789</u>
Cash Basis Net Position End of Year	<u>\$ 1,977,167</u>	<u>1,881,852</u>

Total business type activities receipts for the fiscal year were \$1,467,553 compared to \$1,313,895 last year. Total disbursements for the fiscal year increased 3.97% to approximately \$1,372,238.

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

As the City of Grundy Center completed the year, its governmental funds reported a combined fund balance of \$1,626,418, an increase of \$429,804 from last year's total of \$1,196,614. 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 decreased \$42,353 from the prior year to \$141,617. The largest increases in receipts were due to property tax receipts and charges for service.
- The Special Revenue, Road Use Tax Fund cash balance increased \$40,146 to \$370,056. Road Use Tax disbursements were higher in this fiscal year than last, offset by higher Road Use Tax receipts. The City will continue to use this money to upgrade the condition of all City roads.
- The Special Revenue, Special Revenues Fund cash balance increased \$26,607 to \$26,607 during the fiscal year. Property tax collections for employee benefits and TIF receipts in total were approximately the same as fiscal year 2013.

- The Debt Service Fund and TIF Debt Service Fund cash balances decreased and increased respectively \$22,709 and \$32,079 to (\$17,687) and \$82,224 during the fiscal year. Principal and interest payments on TIF Debt were made from transfers in from Special Revenues TIF receipts.
- The Capital Project, Continuing Projects Fund cash balance increased \$381,521 due to note proceeds for future projects.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Water Fund cash balance decreased \$16,547 to \$362,514, mostly due to increased disbursements.
- The Enterprise, Sewer Fund cash balance increased \$66,884 to \$210,691, due primarily to FEMA receipts collected in fiscal year 2014, lower operating costs and lower construction costs.
- The Enterprise, Sanitation Fund cash balance increased \$11,724 to \$237,542. This was a result of lower operating costs and lower construction costs in fiscal 2014.
- The Enterprise, Ambulance Fund cash balance increased by \$83,805 to \$149,487. This was a result of significant increases in charges for service offset by moderate increases in operating costs.
- The remaining Enterprise Funds, Water Reserve, Sewer Reserve, Sanitation Reserve and Ambulance Reserve are all considered major funds as a result of the respective fund balances, which are reserved for future projects.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was approved on May 12, 2014 and resulted in an increase in operating disbursements.

The City’s receipts were \$31,043 more than budgeted. This was primarily due to the City’s charges for services.

With the budget amendment, total disbursements were \$129,443 less than the amended budget. However, actual disbursements for the debt service and capital projects functions were \$108,721 and \$46,328, respectively, more than the amended budget. This was primarily due to significant disbursements in the Debt Service Fund and Capital Projects, Community Betterment Fund during the fiscal year.

The City exceeded the amounts budgeted in the debt service and capital projects functions for the year ended June 30, 2014.

**DEBT ADMINISTRATION**

At June 30, 2014, the City had \$3,760,842 of bonds and other long-term debt outstanding, compared to \$3,560,432 outstanding at June 30, 2013.		
	Year ended June 30,	
	2014	2013
General Obligation Notes and Bonds	\$ 2,914,000	2,645,000
Revenue Notes and Bonds	846,842	915,432
Total	<u>\$ 3,760,842</u>	<u>3,560,432</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation of \$2,914,000 is significantly below its constitutional debt limit of approximately \$6,410,511. Additional information about the City’s long-term debt is presented in Note 3 to the financial statements.

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

The City Council of Grundy Center took action on Fiscal 2015 budget in early March of 2014 to meet the deadline. While completing this budget, the tax levy rate, and charges for services, they considered many items such as the property tax rollbacks from the State of Iowa, increasing health care costs for employees and the desire to contain property tax levy as much as possible. The current economy in Grundy Center has declined slightly with the complete shutdown of R.S. Bacon Veneer Company.

Budget projections show revenues are expected to remain steady despite the commercial property tax rollback. However, the City expects any shortfalls in the property taxes to be replaced by backfill funds by the State of Iowa. The budget for fiscal year 2015 expenditures increased by \$87,852 to cover the added financing costs for the upcoming general obligation debt for the 2014 Street Lighting/Sidewalk project and the purchase of a scanning system for City Hall documents. The intent of the City Council is to hold the tax levy constant on the amount of taxes due on a \$100,000 house similar to years past.

As the City continues to look forward, the concerns for the future are with the aging structure underground, water distribution, sanitary sewer services and storm water sewer systems. This, along with the aging equipment for our street department will continue to challenge the City's budgets. The additional regulations for our wastewater treatment facility will continue to have increased costs. The trend towards increasing the sewer rate will be looked at in the near future to create additional revenues in which to fund the needed upgrades.

## **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 Kristy Sawyer, City Clerk/Treasurer, 703 F Avenue, Suite 1, Grundy Center, Iowa.

## **Basic Financial Statements**

City of Grundy Center  
Cash Basis Statement of Activities and Net Position  
As of and for the year ended June 30, 2014

	Disbursements	Charges for Service	Program Receipts	
			Operating Grants, Contributions & Restricted Interest	Capital Grants, Contributions & Restricted Interests
<b>Functions/Programs:</b>				
Governmental Activities:				
Public Safety	396,734	7,859	35,677	-
Public Works	418,222	-	270,204	-
Health and Social Services	1,440	-	-	-
Culture and Recreation	393,896	131,059	15,000	-
Community & Economic Development	68,214	-	-	-
General Government	248,921	28,833	-	-
Debt Service	464,916	-	-	-
Capital Projects	235,528	-	-	-
Total Governmental Activities	2,227,871	167,751	320,881	-
Business Type Activities:				
Water	557,601	539,589	-	-
Sewer Rental	291,803	229,680	-	11,875
Strom Sewer	37,463	45,470	-	-
Sanitation	231,227	246,285	-	-
Ambulance	254,144	344,375	-	-
Total Business Type Activities	1,372,238	1,405,399	-	11,875
Total	\$ 3,600,109	1,573,150	320,881	11,875

**General Receipts and Transfers:**

Property and other city taxes levied for:

General Purpose

Debt Service

Tax Increment Financing

Local Option Sales Tax

Unrestricted Interest on Investments

Note Proceeds

Miscellaneous

Total General Receipts

Changes in Cash Basis Net Position

Cash Basis Net Position Beginning of Year

Cash Basis Net Position End of Year

**Cash Basis Net Position**

Restricted:

Expendable:

Streets

Urban Renewal Purposes

Debt Service

Other Purposes

Unrestricted

**Total Cash Basis Net Position**

See Notes to Financial Statements.

Net (Disbursements)Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(353,198)	-	(353,198)
(148,018)	-	(148,018)
(1,440)	-	(1,440)
(247,837)	-	(247,837)
(68,214)	-	(68,214)
(220,088)	-	(220,088)
(464,916)	-	(464,916)
(235,528)	-	(235,528)
(1,739,239)	-	(1,739,239)
-	(18,012)	(18,012)
-	(50,248)	(50,248)
-	8,007	8,007
-	15,058	15,058
-	90,231	90,231
-	45,036	45,036
(1,739,239)	45,036	(1,694,203)
933,910	-	933,916
226,850	-	226,850
265,736	-	265,736
179,388	-	179,388
13,794	6,121	19,915
419,837	-	419,837
129,522	44,158	173,680
2,169,043	50,279	2,219,322
429,804	95,315	525,119
1,196,614	1,881,852	3,078,466
1,626,418	1,977,167	3,603,585
\$ 370,056	-	370,056
26,607	-	26,607
82,224	-	82,224
1,023,601	1,006,029	2,029,630
123,930	971,138	1,095,068
\$ 1,626,418	1,977,167	3,603,585

City of Grundy Center  
Statement of Cash Basis Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds  
As of and for the year ended June 30, 2014

	General	Special Revenue		Debt Service
		Road Use Tax	Special Revenues	Debt Service
<b>Receipts:</b>				
Property Tax	\$ 712,027	-	194,181	226,850
Tax Increment Financing	-	-	265,736	-
Other City Tax	114,210	-	1,558	1,634
Licenses and Permits	6,112	-	-	-
Use of Money and Property	41,822	-	7	299
Intergovernmental	32,595	270,204	-	-
Charges for Service	97,096	-	-	-
Miscellaneous	37,980	-	-	-
<b>Total Receipts</b>	<b>1,041,842</b>	<b>270,204</b>	<b>461,482</b>	<b>228,783</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public Safety	390,915	-	-	-
Public Works	188,164	230,058	-	-
Health and Social Services	1,440	-	-	-
Culture and Recreation	372,516	-	-	-
Community and Economic Development	10,071	-	-	-
General Government	248,921	-	-	-
Debt Service	42,567	-	-	251,492
Capital Project	-	-	-	-
<b>Total Disbursements</b>	<b>1,254,594</b>	<b>230,058</b>	<b>-</b>	<b>251,492</b>
Excess(Deficiency) of Receipts over(Under) Disbursements	(212,752)	40,146	461,482	(22,709)
<b>Other Financing sources(uses):</b>				
Note Proceeds	-	-	-	-
Operating Transfers In	182,215	-	2,500	-
Operating Transfers Out	(11,816)	-	(437,375)	-
<b>Total Other Financing Sources(Uses)</b>	<b>170,399</b>	<b>-</b>	<b>(434,875)</b>	<b>-</b>
Change in Cash Balance	(42,353)	40,146	26,607	(22,709)
Cash balance beginning of year	183,970	329,910	-	5,022
Cash balance end of year	<b>\$ 141,617</b>	<b>370,056</b>	<b>26,607</b>	<b>(17,687)</b>
<b>Cash Basis Fund Balances</b>				
<b>Restricted for:</b>				
Streets	\$ -	370,056	-	-
Urban Renewal Purposes	-	-	26,607	-
Debt Service	-	-	-	-
Other Purposes	-	-	-	-
Assigned	-	-	-	-
Unassigned	141,617	-	-	(17,687)
<b>Total Cash basis fund balances</b>	<b>\$ 141,617</b>	<b>370,056</b>	<b>26,607</b>	<b>(17,687)</b>

See Notes to Financial Statements.

Debt Service		Capital Projects		
TIF	Continuing			
Debt Service	Projects	Non Major		Total
-	-	-		1,133,058
-	-	-		265,736
-	-	89,694		207,096
-	-	-		6,112
302	1,511	1,801		45,742
-	-	50,677		353,476
-	-	-		97,096
3,417	-	88,125		129,522
3,719	1,511	230,297		2,237,838
-	-	5,819		396,734
-	-	-		418,222
-	-	-		1,440
-	-	21,380		393,896
55,943	-	2,200		68,214
-	-	-		248,921
170,857	-	-		464,916
-	39,827	195,701		235,528
226,800	39,827	225,100		2,227,871
(223,081)	(38,316)	5,197		9,967
-	419,837	-		419,837
255,160	-	9,316		449,191
-	-	-		(449,191)
255,160	419,837	9,316		419,837
32,079	381,521	14,513		429,804
50,145	108,064	519,503		1,196,614
82,224	489,585	534,016		1,626,418
-	-	-		370,056
-	-	-		26,607
82,224	-	-		82,224
-	489,585	521,132		1,010,717
-	-	12,884		12,884
-	-	-		123,930
82,224	489,585	534,016		1,626,418

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

As of and for the year ended June 30, 2014

	Enterprise			
	Water	Water Reserve	Sewer	Sewer Reserve
Operating Receipts:				
Charges for Service	\$ 538,002	-	212,772	-
Miscellaneous	1,587	-	16,908	-
Total Operating Receipts	539,589	-	229,680	-
Operating Disbursements:				
Business Type Activities	557,601	-	175,353	71,100
Total Operating Disbursements	557,601	-	175,353	71,100
Excess(Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(18,012)	-	54,327	(71,700)
Non-operating Receipts (Disbursements):				
Intergovernmental	-	-	11,875	-
Miscellaneous	1,465	858	682	44,158
Debt Service	-	-	-	(45,350)
Net Non-operating Receipts (Disbursements)	1,465	858	12,557	(1,192)
Net Change in Balances	(16,547)	858	66,884	(72,292)
Cash Balance Beginning of Year	379,061	215,378	143,807	411,101
Cash Balance End of Year	\$ 362,514	216,236	210,691	338,809
<b>Cash Basis Fund Balances</b>				
Restricted for Debt Service	\$ -	-	-	45,480
Unrestricted	362,514	216,236	210,691	293,329
Total Cash Balance	\$ 362,514	216,236	210,691	338,809

See Notes to Financial Statements.

Enterprise					
Sanitation	Sanitation Reserve	Ambulance	Ambulance Reserve	Non Major Storm Sewer	Total
241,010	-	331,934	-	45,470	1,369,188
1,012	4,263	5,609	6,832	-	36,211
242,022	4,263	337,543	6,832	45,470	1,405,399
231,227	-	254,144	-	27,463	1,316,888
231,227	-	254,144	-	27,463	1,316,888
10,795	4,263	83,399	6,832	18,007	88,511
-	-	-	-	-	11,875
929	825	406	934	22	50,279
-	-	-	-	(10,000)	(55,350)
929	825	406	934	(9,978)	6,804
11,724	5,088	83,805	7,766	8,029	95,315
225,818	205,251	65,682	232,879	2,875	1,881,852
237,542	210,339	149,487	240,645	10,904	1,977,167
-	-	-	-	-	45,480
237,542	210,339	149,487	240,645	10,904	1,931,687
237,542	210,339	149,487	240,645	10,904	1,977,167

City of Grundy Center

Notes to Financial Statements

June 30, 2013

**(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, sewer and solid waste utilities and ambulance services 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 do 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 it is financially accountable to the City. The Utility is governed by a three member board of trustees appointed by the Mayor with approval by the City Council, and the Utility's operating budget is subject to the approval of the City Council.

Jointly Governed Organizations

The City 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: Grundy County Landfill Commission and the Sports Recreation Complex in conjunction with the Grundy Center Community School District.

B. Basis of Presentation

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

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position 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 from general and emergency levies 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 the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Special Revenues Fund is used to account for employee benefits financed by property tax collections and Tax Increment Financing Revenues being transferred to other funds.

The Debt Service Fund is utilized to account for property tax receipts and other receipts to be used for the payment of interest and principal on the City's long-term debt. TIF Debt Service is used for payment of TIF long term debt principal and interest and rebates.

The Capital Project Fund – Continuing Projects is utilized to account for miscellaneous receipts and disbursements for construction.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system. Water Reserve accounts monies set aside for future needs.

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

The Enterprise Sanitation Fund accounts for the operation and maintenance of the City's sanitation system. Sanitation reserve accounts for monies set aside for future projects.

The Enterprise Ambulance Fund accounts for the operation and maintenance of the City's ambulance enterprise. Ambulance Reserve accounts for monies set aside for future needs.

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 is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014 disbursements exceeded the amounts budgeted in the debt service and capital projects functions.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

(3) **Bonds and Notes Payable**

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

Year Ending	General Obligation Notes		General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30, 2015	\$ 42,500	12,927	260,000	133,868	30,000	15,480
2016	42,500	11,666	210,000	124,671	31,000	14,580
2017	42,500	10,342	215,000	115,685	32,000	13,650
2018	42,500	9,049	246,000	42,115	33,000	12,690
2019	42,500	7,756	252,000	36,677	34,000	11,700
2020-2024	212,500	19,412	1,059,000	97,122	186,000	42,600
2025-2028	-	-	247,000	8,170	170,000	12,900
Total	\$ 425,000	71,152	2,489,000	558,308	516,000	123,600

Year Ending	Tax Increment Revenue Bonds		Total	
	Principal	Interest	Principal	Interest
June 30, 2015	\$ 52,085	17,310	384,585	179,585
2016	62,572	14,532	346,072	165,449
2017	73,185	11,179	362,685	150,855
2018	51,000	7,686	372,500	71,540
2019	62,000	4,945	390,500	61,078
2020-2024	30,000	1,612	1,487,000	160,746
2025-2028	-	-	417,000	21,070
Total	\$ 330,842	57,263	3,760,842	810,322

The Code of Iowa requires principal and interest on general obligation notes and bonds be paid from the Debt Service Fund. However, during the year, \$10,000 of general obligation bond principal payments were made from the Enterprise, Storm Sewer Fund.

On November 4, 2013, the City issued \$425,000 of General Obligation Capital Loan Notes, Series 2013A. The notes were issued for the purpose of paying a portion of the costs of constructing sidewalk improvements and installing street lighting and signalization improvements. Interest on the notes is 3.00%, principal and interest are due until June of 2024.

On July 15, 2007, the City issued \$1,500,000 of General Obligation Aquatic Center Bonds, Series 2007 and \$1,200,000 of General Obligation Urban Renewal Aquatic Center Bonds Series 2007B. The bonds were issued to pay the costs of construction, furnishing and equipping a new family aquatic center, carrying out a portion of the project as an urban renewal project. The bonds are general obligations of the City, however the Series 2007B portion is to be serviced by tax increment financing revenue collected from the City's Urban Renewal Area. Interest rates range from 4.50% to 4.95% over the life of the bonds. On June 12, 2014, the City advance refunded the portion of the bonds outstanding from fiscal year 2017 through 2026 by issuing \$1,549,000 General Obligation Refunding Bonds Series 2014A, with an interest rate of 2.15%. The bonds are general obligations of the City and are payable from ad valorem taxes. The portions due from fiscal years 2015 through 2017 are still outstanding and will be serviced per the original schedule.

On November 10, 2010, the City issued \$670,000 of General Obligation Corporate Purpose and Refunding Bonds Series 2010A. The bonds were issued to pay the costs of constructing street and storm sewer improvements and advance refund General Obligation Corporate Purpose Notes Series 2002. The bonds are general obligations of the City, and the debt will be serviced by continuing annual tax on all taxable property within the City. Interest rates range from 1.00% to 3.75% over the life of the bonds.

On February 26, 2008, the City issued \$680,000 of Sewer Revenue Bonds for the purpose of providing funds to pay a portion of the cost of constructing improvements and extensions to the Municipal Sanitary Sewer System of the City. Interest on the Bonds is 3.0% and interest and principal are due on the bonds through June 1, 2028. The bonds are not general obligations of the City, and the bonds are payable solely and only out of the future net revenues of the Municipal Sanitary System of the City.

On June 30, 2004, the City issued \$268,000 of Urban Renewal Tax Increment Revenue Bonds for the purpose of defraying a portion of the costs of carrying out an urban renewal project in the Grundy Center Urban Renewal Area of the City, consisting of installing public infrastructure in support of a new Housing Development. This bond is not a general obligation of the City, but is payable solely from the income and proceeds of the 2004 Housing Development Urban Renewal Tax Revenue Subfund. Interest is at a rate of 5.25%, principal and interest payment are due through June of 2017.

On December 30, 2010, the City issued \$260,000 of Urban Renewal Tax Increment Revenue Bonds for the purpose of paying the costs of undertaking a project in the Grundy Center Urban Renewal Area consisting of constructing street, water, sanitary and storm sewer improvements and funding an economic development grant to the Grundy Center Development Corporation. This bond is not a general obligation of the City, but is payable solely from the income and proceeds of the 2010 Housing Project Subfund of the Urban Renewal Tax Revenue Fund. Interest is at a rate of 5.375%, principal and interest payment are due through June of 2020.

The City was not in compliance with the provisions of the Sewer Revenue Bond, whereby monthly transfers of sewer revenue to the Sewer Revenue Bond Sinking Fund are made. The City was in compliance with the provisions of all other note and bond resolutions.

#### **4) Interfund Loans**

The City has authorized the use of Sewer Reserve funds resources to help finance the construction of the new city hall building. During the year ended June 30, 2014, the interfund loan was paid in full from General Fund department appropriations, with interest at 3.5% on the outstanding balance.

The City has authorized the use of Sewer Reserve fund resources to help finance the Enterprise, Storm Sewer Fund. At June 30, 2013, the outstanding balance was \$100,000 with interest at 3.25%. The loan is to be repaid from collections of storm sewer receipts. We noted no payments were made during the year ended June 30, 2014.

**(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 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 5.95% of their annual covered salary and the City is required to contribute 8.93% 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, 2014, 2013 and 2012 were \$66,542, \$66,970 and \$75,526, respectively, equal to the required contributions for each year.

**(6) Other Postemployment Benefits (OPEB)**

Plan Description - The City operates an early retirement benefit plan which provides medical insurance benefits for employees over the age of 62 with a combined age and years of service to the City over 92 until they reach the age of 65. Benefits provided by such insurance will be comparable to those available to Bargaining Unit employees with in the City.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark BC/BS of Iowa. Retirees under age 65 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 \$612 for single coverage and an average of \$1,548 for family coverage. For the year ended June 30, 2014, the City contributed \$7,340.

The City currently has one retiree who receives this benefit. The City has not performed an actuarial evaluation and believes that the amount of OPEB liability is not material.

**(7) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and compensatory hours 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 service shall be entitled to 20% of the value of their sick leave balance. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, compensatory time and sick leave payable to employees at June 30, 2014, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 36,070
Comp Time	12,765
Sick Time	6,213
Total	<u>\$ 55,048</u>

This liability has been computed based on rates of pay in effect at June 30, 2014.

**(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 to 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.

**(9) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer To	Transfer From	Amount
General	Special Revenue: Special Revenues	\$ 182,215
TIF Debt Service General Obligation	Special Revenue Special Revenues	255,160
Special Revenue Special Revenues	General	2,500
Capital Projects Equipment Reserve	General	1,316
Police Reserve	General	8,000
		<u>9,316</u>
Total		<u>\$ 449,191</u>

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

**(10) Related Party Transactions**

We noted no business transactions between the City and City officials during the year ended June 30, 2014.

**(11) Risk Management**

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

**(12) Deficit Balance**

The Debt Service Fund had a deficit balance of \$17,687 at June 30, 2014. The deficit balance was a result of principal and interest payments made on long term debt without sufficient tax revenue or transfers in from other funds. The deficit will be eliminated by transfers from other funds.

**(13) Excess Fund Balance**

We noted the fund balances of the non- major Governmental Funds and the Enterprise Reserve funds were in excess of the disbursements for the current year. These funds were established for specific purposes and the excesses will be eliminated by future disbursements on each of the specific projects.

**(14) Subsequent Events**

The date through which events occurring after June 30, 2014 have been evaluated for possible adjustment to the financial statements or disclosure is April 22, 2015 which is the date of this report.

City of Grundy Center  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances –  
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds  
 Other Information

Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Total
<b>Receipts:</b>			
Property Tax	\$ 1,133,058	-	1,133,058
Tax Increment Financing	265,736	-	265,736
Other City Tax	207,096	-	207,096
License and Permits	6,112	-	6,112
Use of Money and Property	45,742	-	45,742
Intergovernmental	353,476	11,875	365,351
Charges for Services	97,096	1,405,399	1,502,495
Miscellaneous	129,522	50,279	179,801
Total Receipts	<u>2,237,838</u>	<u>1,467,553</u>	<u>3,705,391</u>
<b>Disbursements:</b>			
Public Safety	396,734	-	396,734
Public Works	418,222	-	418,222
Health and Social Services	1,440	-	1,440
Culture and Recreation	393,896	-	393,896
Community and Economic Development	68,214	-	68,214
General Government	248,921	-	248,921
Debt Service	464,916	55,350	520,266
Capital Projects	235,528	-	235,528
Business Type Activities	-	1,316,888	1,316,888
Total Disbursements	<u>2,227,871</u>	<u>1,372,238</u>	<u>3,600,109</u>
Excess(Deficiency) of Receipts Over(Under) Disbursements	9,967	95,315	105,282
Other Financing Sources, Net	419,837	-	419,837
Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	429,804	95,315	525,119
Balances Beginning of Year	1,196,614	1,881,852	3,078,466
Balances End of Year	<u>\$ 1,616,418</u>	<u>1,977,167</u>	<u>3,603,585</u>

See Accompanying Independent Auditors' Report.

Budgeted Amounts		Final to Total Variance
Original	Final	
1,139,243	1,139,243	(6,185)
258,370	258,370	7,366
218,020	218,020	(10,924)
7,125	7,125	(1,013)
108,920	108,920	(63,178)
338,270	349,270	16,081
1,369,800	1,369,800	132,695
180,900	223,600	(43,799)
3,620,648	3,674,348	31,043
387,593	433,184	(36,450)
458,016	458,016	(39,794)
2,320	2,320	(880)
409,805	440,715	(46,819)
108,878	110,878	(42,664)
250,305	281,767	(32,846)
411,545	411,545	108,721
181,930	189,200	46,328
1,399,745	1,401,927	(85,039)
3,610,137	3,729,552	(129,443)
10,511	(55,204)	160,486
-	-	419,837
10,511	(55,204)	580,323
2,988,937	2,988,937	89,529
2,999,448	2,933,733	669,852

City of Grundy Center

Notes to Other Information – Budgetary Reporting

June 30, 2014

The budgetary comparison is presented 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, the Special Revenue Funds, the Debt Service Funds, the Capital Projects Funds 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 \$119,415. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the debt service and capital projects functions.

## Supplementary Information

City of Grundy Center  
Statement of Cash Basis Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2014

	Special Revenue					
	Fire Department Gift Trust	Library Gift Trust	Park Board Gift Trust	Community Center Gift Trust	Ambulance Gift Trust	Tree Gift Trust
Receipts:						
Other City Tax	\$ -	-	-	-	-	-
Use of Money and Property	34	147	93	36	19	11
Intergovernmental	-	-	15,000	-	-	-
Miscellaneous	187	62,970	140	-	8,572	-
Total Receipts	<u>221</u>	<u>63,117</u>	<u>15,233</u>	<u>36</u>	<u>8,591</u>	<u>11</u>
Disbursements:						
Operating:						
Public Safety	-	-	-	-	5,819	-
Culture and Recreation	-	13,888	7,190	-	-	-
Community and Economic Development	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-
Total Disbursements	<u>-</u>	<u>13,888</u>	<u>7,190</u>	<u>-</u>	<u>5,819</u>	<u>-</u>
Excess (Deficiency) of Receipts over (under) Disbursements	221	49,229	8,043	36	2,772	11
Other Financing Sources(uses):						
Operating Transfers In	-	-	-	-	-	-
Total Other Financing Sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Cash Balance	221	49,229	8,043	36	2,772	11
Cash Balance Beginning of Year	8,491	28,459	19,265	9,460	8,288	3,475
Cash Balance End of Year	<u>\$ 8,712</u>	<u>77,688</u>	<u>27,308</u>	<u>9,496</u>	<u>11,060</u>	<u>3,486</u>
<b>Cash Basis Fund Balances</b>						
Restricted for:						
Capital Projects	-	-	-	-	-	-
Other Purposes	8,712	77,688	27,308	9,496	11,060	3,486
Assigned	-	-	-	-	-	-
Total Cash Basis Fund Balance	<u>8,712</u>	<u>77,688</u>	<u>27,308</u>	<u>9,496</u>	<u>11,060</u>	<u>3,486</u>

See Accompanying Independent Auditors' Report.

Schedule 1

Visioning Grant	Special Revenue		Capital Projects							D&D Program	Total
	Economic Development Gift Trust	Special Assessment Project	Equipment Reserve	Fire Equipment Reserve	TIF Projects	Police Reserves	Community Betterment	Housing Rehabilitation			
-	-	-	-	-	-	-	-	89,694	-	-	89,694
14	-	18	544	32	81	16	-	756	-	-	1,801
-	-	-	-	35,677	-	-	-	-	-	-	50,677
-	2,200	-	4,302	8,500	-	1,249	-	5	-	-	88,125
14	2,200	18	4,846	44,209	81	1,265	-	90,455	-	-	230,297
-	-	-	-	-	-	-	-	-	-	-	5,819
302	-	-	-	-	-	-	-	-	-	-	21,380
-	2,200	-	-	-	-	-	-	-	-	-	2,200
-	-	-	8,705	7,688	8,352	-	-	163,687	7,269	-	195,701
302	2,200	-	8,705	7,688	8,352	-	-	3687	7,269	-	225,100
(288)	-	18	(3,859)	36,521	(8,271)	1,265	-	(73,232)	(7,269)	-	5,197
-	-	-	1,316	-	-	8,000	-	-	-	-	9,316
-	-	-	1,316	-	-	8,000	-	-	-	-	9,316
(288)	-	18	(2,543)	36,521	(8,271)	9,265	-	(73,232)	(7,269)	-	14,513
4,114	67	12,866	143,240	6,541	26,450	3,710	-	231,488	10,445	3,144	519,503
3,826	67	12,884	140,697	43,062	18,179	12,975	-	158,256	3,176	3,144	534,016
-	-	-	140,697	43,062	18,179	12,975	-	158,256	3,176	3,144	379,489
3,826	67	-	-	-	-	-	-	-	-	-	141,643
-	-	12,884	-	-	-	-	-	-	-	-	12,884
3,826	67	12,884	140,697	43,062	18,179	12,975	-	158,256	3,176	3,144	534,016

City of Grundy Center  
Schedule of Indebtedness  
Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Notes/Bonds:			
Aquatic Center Bonds, Series 2007	July 15, 2007	4.20-4.95%	\$1,500,000
Aquatic Center Bonds, Series 2007B	July 15, 2007	4.20-4.95%	1,200,000
Corporate Purpose & Refunding Bond, Series 2010A	November 1, 2010	1.00-3.75%	670,000
Corporate Purpose Note, Series 2013A	November 4, 2013	3.00%	425,000
Refunding Bonds, Series 2014A	June 12, 2014	2.15%	1,549,000
Total			
Revenue Bonds:			
Sewer Revenue Bonds	February 26, 2008	3.00%	\$680,000
Urban Renewal TIF Revenue Bonds:			
Urban Renewal TIF Bond	June 30, 2004	5.25%	\$268,000
Urban Renewal TIF Bond	December 30, 2010	5.38%	260,000
Total			

See Accompanying Independent Auditors' Report

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
1,045,000	-	725,000	320,000	47,055
1,110,000	-	895,000	215,000	50,492
490,000	-	85,000	405,000	13,902
-	425,000	-	425,000	7,402
-	1,549,000	-	1,549,000	
<u>\$ 2,645,000</u>	<u>1,974,000</u>	<u>1,705,000</u>	<u>2,914,000</u>	<u>118,851</u>
<u>545,000</u>	<u>-</u>	<u>29,000</u>	<u>516,000</u>	<u>16,350</u>
115,509	-	26,666	88,843	6,372
255,000	-	13,000	242,000	13,700
<u>\$ 370,509</u>	<u>-</u>	<u>39,666</u>	<u>330,843</u>	<u>20,072</u>

**City of Grundy Center**

City of Grundy Center  
Bond and Note Maturities  
June 30, 2014

Year	General Obligation Notes			General Obligation Bonds						
	Corporate Purpose Series 2013A			Aquatic Center Series 2007 & 2007B		Refunding, Series 2014A		Corporate Purpose Series 10A		Total
	Issued November 4, 2013			Issued July 7, 2007		Issued June 12, 2014		Issued November 1, 2010		
Ending June 30,	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2015	3.00%	\$ 42,500	4.95%	\$ 170,000		\$ -	2.00%	\$ 90,000	260,000	
2016	3.00	42,500	4.55	180,000		-	2.65	30,000	210,000	
2017	3.00	42,500	4.20	185,000		-	2.65	30,000	215,000	
2018	3.00	42,500		-	2.15%	216,000	2.65	30,000	246,000	
2019	3.00	42,500		-	2.15	222,000	3.40	30,000	252,000	
2020	3.00	42,500		-	2.15	224,000	3.40	30,000	254,000	
2021	3.00	42,500		-	2.15	234,000	3.40	30,000	264,000	
2022	3.00	42,500		-	2.15	240,000	3.40	30,000	270,000	
2023	3.00	42,500		-	2.15	99,000	3.75	35,000	134,000	
2024	3.00	42,500		-	2.15	102,000	3.75	35,000	137,000	
2025		-		-	2.15	105,000	3.75	35,000	140,000	
2026		-		-	2.15	107,000		-	107,000	
<b>Total</b>		<b>\$ 425,000</b>		<b>\$ 535,000</b>		<b>\$1,549,000</b>		<b>\$405,000</b>	<b>2,489,000</b>	

Year	Revenue Bonds			Urban Renewal Tax Increment Revenue Bonds				
	Sewer Revenue Series 2008			TIF Revenue		TIF Revenue		
	Issued February 26, 2008			Issued June 30, 2004		Issued December 30, 2010		
Ending June 30,	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Amount	Total
2015	3.00%	\$ 30,000	5.25%	\$ 28,085	5.375%	\$ 24,000		52,085
2016	3.00	31,000	5.25	29,572	5.375	33,000		62,572
2017	3.00	32,000	5.25	31,185	5.375	42,000		73,185
2018	3.00	33,000		-	5.375	51,000		51,000
2019	3.00	34,000		-	5.375	62,000		62,000
2020	3.00	35,000		-	5.375	30,000		30,000
2021	3.00	36,000		-		-		-
2022	3.00	37,000		-		-		-
2023	3.00	38,000		-		-		-
2024	3.00	40,000		-		-		-
2025	3.00	41,000		-		-		-
2026	3.00	42,000		-		-		-
2027	3.00	43,000		-		-		-
2028	3.00	44,000		-		-		-
<b>Total</b>		<b>\$ 516,000</b>		<b>\$ 88,842</b>		<b>\$242,000</b>		<b>330,842</b>

See Accompanying Independent Auditors' Report

City of Grundy Center  
Schedule of Receipt By Source and Disbursements By Function-  
All Government Funds  
For the Last Ten Years

	Unaudited			
	2014	2013	2012	2011
<b>Receipts:</b>				
Property Tax	\$ 1,133,058	1,130,400	1,061,098	1,054,786
Tax Increment Financing	265,736	235,154	193,165	165,119
Other City Tax	207,096	203,273	212,264	201,233
License and Permits	6,112	5,150	7,458	6,309
Use of Money and Property	45,742	52,389	58,075	28,188
Intergovernmental	353,476	291,317	306,946	282,953
Charges for Service	97,096	112,683	136,366	130,002
Special Assessments	-	-	25,000	2,962
Miscellaneous	129,522	114,955	131,488	254,532
Total	<u>\$ 2,237,838</u>	<u>2,145,321</u>	<u>2,131,860</u>	<u>2,126,084</u>
<b>Disbursements:</b>				
Operating:				
Public Safety	\$ 396,734	349,363	350,478	342,692
Public Works	418,222	448,640	456,596	420,649
Health and Social Services	1,440	2,320	2,320	2,320
Culture and Recreation	393,896	376,270	401,495	412,746
Community and Economic Development	68,214	136,969	190,023	52,311
General Government	248,921	218,402	215,398	208,024
Debt Service	464,916	408,264	391,706	352,635
Capital Projects	235,528	293,684	151,795	418,241
Total	<u>\$ 2,227,871</u>	<u>2,233,912</u>	<u>2,159,811</u>	<u>2,209,618</u>

See Accompanying Independent Auditors' Report.

Schedule 4

Unaudited						
2010	2009	2008	2007	2006	2005	2004
986,636	980,859	846,224	878,983	793,576	769,143	712,802
140,400	176,200	134,272	113,161	98,702	86,642	92,621
182,004	192,884	177,878	181,982	159,582	144,166	139,534
6,410	5,802	5,066	5,206	7,485	7,928	6,015
31,181	36,017	105,295	57,244	55,810	47,291	44,224
278,781	398,665	298,492	288,327	516,825	340,691	380,403
121,056	124,985	60,213	60,217	85,245	65,316	36,762
3,170	7,550	4,995	25,634	26,378	74,076	80,414
174,633	275,903	342,221	124,300	225,084	117,547	121,837
<u>1,924,271</u>	<u>2,198,865</u>	<u>1,974,656</u>	<u>1,735,054</u>	<u>1,968,687</u>	<u>1,652,800</u>	<u>1,614,612</u>
357,985	314,050	285,389	262,614	284,886	275,918	269,802
478,164	549,860	463,046	451,869	587,681	406,261	449,217
1,820	1,820	4,520	4,020	4,020	4,020	4,020
401,056	345,664	303,227	290,401	317,876	310,284	291,491
68,166	73,997	149,609	181,294	206,680	139,621	185,187
198,727	200,029	185,502	177,220	185,679	167,467	173,380
344,954	380,580	173,397	50,740	51,340	51,903	52,413
51,256	392,654	2,983,860	565,344	457,461	445,228	144,579
<u>1,902,128</u>	<u>2,258,654</u>	<u>4,548,550</u>	<u>1,983,502</u>	<u>2,095,623</u>	<u>1,800,702</u>	<u>1,570,089</u>

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Independent Auditors' 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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the 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, 2014, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 22, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Grundy Center's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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 of Grundy Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Grundy Center's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

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 a material misstatement of the City of Grundy Center's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items A and B to be material weaknesses.

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

## Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 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 Grundy Center's Responses to Findings

The City of Grundy Center's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Grundy Center's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Grundy Center during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Dennis P. Donovan, P.C.

April 22, 2015

**City of Grundy Center**

City of Grundy Center  
Grundy Center, Iowa

Schedule of Findings

Year Ended June 30, 2014

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

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

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – We have reviewed procedures as suggested. We are in the process of further cross training employees to further segregate duties.

Conclusion – Response accepted.

- B. Period End Financial Reporting Process – During the audit, we noted that the internal control system does not include a process for reconciling items in the general ledger from subsidiary ledgers, to the reconciled bank balances, nor reconciling fund balances by fund based on cash receipts and cash disbursements.

Recommendation – Reconciling the subsidiary ledgers to the general ledger should be performed monthly. Each fund should be reconciled based on actual cash receipts and cash disbursements. The City should reconcile the general ledger to the reconciled bank balances on a monthly basis.

Response – We will review the procedures as suggested.

Conclusion – Response accepted.

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

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

City of Grundy Center  
Grundy Center, Iowa

Schedule of Findings (Continued)

Year Ended June 30, 2014

C. Preparation of Full Disclosure Financial Statements (Continued)

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

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

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

1. Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the debt service and capital projects functions. 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 should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

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

Conclusion – Response accepted.

2. 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 since the public benefits to be derived have not been clearly documented were noted.

3. Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

4. Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

5. 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.

6. City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

City of Grundy Center  
Grundy Center, Iowa

Schedule of Findings (Continued)

Year Ended June 30, 2014

7. Deposits and Investments – We noted the City’s current investment policy was not written in accordance with the provisions of Chapters 12B and 12C of the Code of Iowa. It was also noted the depository resolution had not been updated to reflect the name change of a bank.

Recommendation – The City should update the investment policy to be in accordance with Chapters 12B and 12C of the Code of Iowa. The depository resolution should be updated whenever a financial institution utilized by the City changes its name.

Response – We will update the policies and resolutions as necessary.

Conclusion – Response accepted.

8. Revenue Bonds– The City was not in compliance with the provisions of the Sewer Revenue Bond, whereby monthly transfers of sewer revenue to the Sewer Revenue Bond Sinking Fund are made.

Recommendation – The City should establish a Sewer Revenue Bond Sinking Fund and make monthly transfers from the Sewer Fund to the Sewer Revenue Sinking Fund for payment of principal and interest payments as required by the Sewer Revenue Bond Resolution.

Response – We will consider establishing the fund and making the monthly transfers as required.

Conclusion – Response accepted.

9. Payment of General Obligation Bonds – Certain general obligation notes and bonds were paid from the Enterprise, Storm Sewer Fund. Chapter 384.4 of the Code of Iowa states, in part “Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund.”

Recommendation – The City should transfer from the Storm Sewer Fund to the Debt Service Fund for future funding contributions. Payment of the bonds should then be disbursed from the Debt Service Fund.

Response – We will transfer in the future as recommended.

Conclusion – Response accepted.

10. Payment of Interfund Loan - We noted no payments were made on the interfund loan from the Enterprise, Storm Sewer Fund to the Enterprise, Sewer Reserve Fund, authorized in fiscal year 2010, by resolution of the City Council.

Recommendation – The City should transfer from the Storm Sewer Fund to the Sewer Reserve Fund for repayments of the interfund loan.

Response – The resolution authorizing the interfund loan does not require annual payments. We will make the transfers when storm sewer collections are sufficient to repay the interfund loan.

Conclusion – Response accepted.

City of Grundy Center  
Grundy Center, Iowa

Schedule of Findings (Continued)

Year Ended June 30, 2014

11. Financial Condition – We noted the Debt Service Fund had a deficit balance of \$17,687 at June 30, 2014.

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

Response – The deficits were due to debt principal and interest payments made from the fund without the proper transfers from other funds. In the future, we will ensure the transfers are made.

Conclusion – Response accepted.

12. Excess Fund Balance – The ending fund balances of the nonmajor Special Revenue and Capital Projects funds were in excess of disbursements for the current year. The ending fund balances of all the Enterprise, Reserve Funds were in excess of disbursements for the year.

Recommendation – The City should investigate alternatives to eliminate the excesses.

Response – The excess balances in the nonmajor Special Revenue Funds, the nonmajor Capital Projects Funds and the Enterprise Reserve Funds will be eliminated as each of the specific projects for which the funds were established progress.

Conclusion – Response accepted.