

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

**JUNE 30, 2015**

---

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditors' Report		4-6
Management's Discussion and Analysis		7-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	14-15
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16-17
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	18-19
Notes to Financial Statements		20-30
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		32-33
Notes to Other Information – Budgetary Reporting		34
Schedule of the City's Proportionate Share of the Net Pension Liability		35
Schedule of City Contributions		36
Notes to Other Information – Pension Liability		37-38
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	40-41
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Proprietary Funds	2	43
Schedule of Indebtedness	3	44-45
Bond and Note Maturities	4	47
Schedule of Receipts by Source and Disbursements by Function- All Governmental Funds	5	48-49
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 <u>Government Auditing Standards</u>		50-51
Schedule of Findings		53-56

City of Grundy Center

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**

Certified Public Accountant, PC

1100 Gilbert Street, PO Box 516

Charles City, IA 50616-0516

Phone/Fax - (641) 228-1061

[www.dennisdonovancpa.com](http://www.dennisdonovancpa.com)

Email - [dndonovan@mchsi.com](mailto:dndonovan@mchsi.com)

---

## 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, 2015, 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 did not audit the financial statements of Grundy Center Municipal Utilities (the discretely presented component unit) which statements reflect Net Position of \$6,462,883 as of June 30, 2015 and total operating receipts and disbursements of \$4,723,810 and \$4,820,500, respectively, for the year then ended. 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

In our opinion, and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major governmental fund, and the remaining aggregate fund information of the City of Grundy Center, Iowa, as of June 30, 2015 and the respective changes in its 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.

## Emphasis of a Matter

As disclosed in Note 4 to the financial statements, the City of Grundy Center adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. 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 eight 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. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2014 (which are presented herein) and expressed adverse, qualified and unqualified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, 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 5) 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, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contribution on pages 7 through 12 and 32 through 38 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 December 9, 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.

December 9, 2015

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

The City of Grundy Center provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 13.23%, or approximately \$351,724, from fiscal year 2014 to fiscal year 2015. Grants, contributions and restricted interest increased approximately \$139,522. Tax Increment Financing receipts increased approximately \$6,632.
- Disbursements of the City's governmental activities increased 13.77%, or approximately \$306,882, in fiscal year 2015 from fiscal year 2014. Culture and Recreation disbursements increased approximately \$43,569 and Capital Project disbursements increased approximately \$267,867.
- The City's total cash basis net position decreased 7.72%, or approximately \$278,245, from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities decreased approximately \$228,820 and the cash basis net position of the business type activities decreased approximately \$49,425.

### 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 and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds, the City's nonmajor proprietary 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 Cash Basis 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 \$1,626,418 to approximately \$1,397,598. 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,	
	2015	2014
Receipts and Transfers:		
Program Receipts:		
Charges for Service	\$ 138,518	167,751
Operating grants, contributions & restricted interest	379,155	320,881
Capital grants, contributions & restricted interest	2,204	-
General Receipts:		
Property tax	1,217,604	1,160,760
Tax increment financing	272,368	265,736
Local option sales tax	216,046	179,388
Unrestricted investment earnings	5,285	13,794
Note proceeds	-	419,837
Other general receipts	64,753	129,522
Transfers	10,000	-
Total Receipts and Transfers	2,305,933	2,657,657
Disbursements:		
Public safety	412,042	396,734
Public works	398,972	418,222
Health and social services	2,125	1,440
Culture and recreation	437,465	393,896
Community and economic development	51,336	68,214
General government	229,018	248,921
Debt Service	500,400	464,916
Capital Projects	503,395	235,528
Total Disbursements	2,534,753	2,227,871
Change in Cash Basis Net Position	(228,820)	429,804
Cash Basis Net Position Beginning of Year	1,626,418	1,196,614
Cash Basis Net Position End of Year	\$ 1,397,598	1,626,418

The City's total receipts for governmental activities decreased 13.23%, or approximately \$351,724. The total cost of all programs and services increased approximately \$306,882, or 13.77 %, with no new programs added this year. The decrease in receipts was primarily due to no note proceeds in fiscal year 2015.

The cost of all governmental activities this year was approximately \$2,534,753 compared to approximately \$2,227,871 last year. However, as shown in the Statement of Activities and Net Position on pages 14-15, the amount taxpayers ultimately financed for these activities was approximately \$1,786,056 because some of the cost was paid by those directly benefiting from the programs (\$138,518) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$381,359). The City paid for the remaining "public benefit" portion of governmental activities with \$1,217,604 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2015 from approximately \$488,632, to approximately \$519,877.

Changes in Cash Basis Net Position of Business Type Activities		
	Year Ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Water	\$ 518,008	541,192
Sewer Rental	231,012	286,395
Storm Sewer	60,848	45,492
Sanitation	229,816	248,039
Ambulance	362,520	345,715
Total Receipts	<u>1,402,204</u>	<u>1,467,553</u>
Disbursements and Transfers:		
Water	517,689	557,601
Sewer Rental	317,668	291,803
Storm Sewer	35,248	37,463
Sanitation	229,603	231,227
Ambulance	341,421	254,144
Transfers	10,000	-
Total Disbursements and Transfers	<u>1,451,629</u>	<u>1,372,238</u>
Change in Cash Basis Net Position	(49,425)	95,315
Cash Basis Net Position Beginning of Year	<u>1,977,167</u>	<u>1,881,852</u>
Cash Basis Net Position End of Year	<u>\$ 1,927,742</u>	<u>1,977,167</u>

Total business type activities receipts for the fiscal year were \$1,402,204 compared to \$1,467,553 last year. Total disbursements for the fiscal year increased 5.78% to approximately \$1,451,629.

#### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Grundy Center completed the year, its governmental funds reported a combined fund balance of \$1,397,598, a decrease of \$228,820 from last year's total of \$1,626,418. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$37,754 from the prior year to \$179,371. The largest increases in receipts were due to property tax receipts and miscellaneous receipts.
- The Special Revenue, Road Use Tax Fund cash balance increased \$69,570 to \$439,626. Road Use Tax disbursements were lower in this fiscal year than last, in addition to an increase in 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 \$89,064 to \$115,671 during the fiscal year. Property tax collections for employee benefits and TIF receipts in total were approximately 5% higher than fiscal year 2014.
- The Capital Project, Community Betterment Fund cash balance increased \$6,503 due to an increase in Local Option Sales Tax receipts and decreased project costs in fiscal 2015.
- The Capital Project, Continuing Projects Fund cash balance decreased \$359,414 due to disbursements for the Street Lighting Project.

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

- The Enterprise, Water Fund cash balance increased \$39,119 to \$401,633, mostly due to decreased disbursements.
- The Enterprise, Sewer Fund cash balance increased \$493 to \$211,184, lower operating receipts offset by moderately increased operating costs.
- The Enterprise, Sewer Reserve cash balance decreased \$87,149 to \$251,660, due to decreased receipts and increased costs.
- The Enterprise, Sanitation Fund cash balance decreased \$5,433 to \$232,109. This was a result of lower operating receipts.
- The Enterprise, Sanitation Reserve cash balance increased \$5,646 to \$215,985. This was a result of an increase in miscellaneous receipts.
- The Enterprise, Ambulance Fund cash balance increased by \$78,351 to \$227,838. This was a result of increased miscellaneous receipts offset by moderate increases in operating costs.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was approved on February 16, 2015 and resulted in an increase in operating disbursements.

The City's receipts were \$16,329 less than budgeted. Lower use of money and property was offset by increased charges for services.

With the budget amendment, total disbursements were \$119,663 more than the amended budget. Actual disbursements for the general government, debt service and capital projects functions were \$6,103, \$52,625 and \$310,395, respectively, more than the amended budget. This was primarily due to significant disbursements in the Debt Service Fund and Capital Projects, Continuing Projects Fund during the fiscal year.

The City exceeded the amounts budgeted in the general government, debt service and capital projects functions for the year ended June 30, 2015.

## DEBT ADMINISTRATION

At June 30, 2015, the City had \$3,376,258 of bonds and other long-term debt outstanding, compared to \$3,760,843 outstanding at June 30, 2014.

	Outstanding Debt at Year End	
	Year ended June 30,	
	2015	2014
General Obligation Notes and Bonds	\$ 2,611,500	2,914,000
Revenue Notes and Bonds	764,758	846,843
Total	\$ 3,376,258	3,760,843

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 \$2,611,500 is significantly below its constitutional debt limit of approximately \$6,556,573. 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 2016 budget in early March of 2015 to meet the deadline. While completing this budget, the tax levy rate and charges for services were considered along with many items such as allowing the health care costs for employees to remain as is and the desire to contain property tax levy as much as possible. The current economy in Grundy Center has leveled off even with many residents being affected by layoffs in manufacturing service positions from surrounding areas.

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 2016 expenditures decreased by \$230,730 due to the completion of the Street Lighting/Sidewalk project. The budget for fiscal 2016 revenues decreased by \$261,461 due to the commercial property tax rollback, some of which will be backfilled by the State of Iowa. 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, 2015

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions & Restricted Interest	Capital Grants, Contributions & Restricted Interests
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental Activities:				
Public Safety	412,042	1,403	49,710	2,204
Public Works	398,972	-	281,377	-
Health and Social Services	2,125	-	-	-
Culture and Recreation	437,465	109,400	30,968	-
Community & Economic Development	51,336	2,000	17,100	-
General Government	229,018	25,715	-	-
Debt Service	500,400	-	-	-
Capital Projects	503,395	-	-	-
Total Governmental Activities	2,534,753	138,518	379,155	2,204
Business Type Activities:				
Water	517,689	515,586	-	-
Sewer Rental	317,668	216,371	-	-
Storm Sewer	35,248	60,754	-	-
Sanitation	229,603	223,253	-	-
Ambulance	341,421	329,061	31,957	-
Total Business Type Activities	1,441,629	1,345,025	31,957	-
Total Primary Government	\$ 3,976,382	1,483,543	411,112	2,204
Component Unit:				
Grundy Center Municipal Utilities	\$ 4,820,500	4,560,308	-	-
<b>General Receipts and Transfers:</b>				
Property and other city taxes levied for:				
General Purpose				
Debt Service				
Tax Increment Financing				
Local Option Sales Tax				
Unrestricted Interest on Investments				
Miscellaneous				
Transfers				
Total General Receipts and Transfers				
Change in Cash Basis Net Position				
Cash Basis Net Position Beginning of Year				
Cash Basis Net Position End of Year				
<b>Cash Basis Net Position</b>				
Restricted:				
Expendable:				
Streets				
Urban Renewal Purposes				
Other Purposes				
Unrestricted				
<b>Total Cash Basis Net Position</b>				

See Notes to Financial Statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
Governmental Activities	Business Type Activities	Total	Component Unit Grundy Center Municipal Utilities
(358,725)	-	(358,725)	
(117,595)	-	(117,595)	
(2,125)	-	(2,125)	
(297,097)	-	(297,097)	
(32,236)	-	(32,236)	
(203,303)	-	(203,303)	
(500,400)	-	(500,400)	
(503,395)	-	(503,395)	
(2,014,876)	-	(2,014,876)	
-	(2,103)	(2,103)	
-	(101,297)	(101,297)	
-	25,506	25,506	
-	(6,350)	(6,350)	
-	19,597	19,597	
-	(64,647)	(64,647)	
(2,014,876)	(64,647)	(2,079,523)	
			(260,192)
996,878	-	996,878	-
220,726	-	220,726	-
272,368	-	272,368	-
216,046	-	216,046	-
5,285	7,461	12,746	52,734
64,753	17,761	82,514	110,768
10,000	(10,000)	-	-
1,786,056	15,222	1,801,278	163,502
(228,820)	(49,425)	(278,245)	(96,690)
1,626,418	1,977,167	3,603,585	6,559,573
1,397,598	1,927,742	3,325,340	6,462,883
\$ 439,626	-	439,626	-
7,354	-	7,354	-
799,675	828,474	1,628,149	40,771
150,943	1,099,268	1,250,211	6,422,112
\$ 1,397,598	1,927,742	3,325,340	6,462,883

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, 2015

	Special Revenue		
	General	Road Use Tax	Special Revenues
<b>Receipts:</b>			
Property Tax	\$ 739,056	-	213,704
Tax Increment Financing	-	-	272,368
Other City Tax	126,193	-	1,757
Licenses and Permits	6,831	-	-
Use of Money and Property	41,730	-	339
Intergovernmental	34,882	281,377	-
Charges for Service	88,224	-	-
Special Assessments	529	-	-
Miscellaneous	45,148	-	-
Total Receipts	1,082,593	281,377	488,168
<b>Disbursements:</b>			
<b>Operating:</b>			
Public Safety	412,042	-	-
Public Works	187,165	211,807	-
Health and Social Services	2,125	-	-
Culture and Recreation	374,204	-	-
Community and Economic Development	10,374	-	-
General Government	229,018	-	-
Debt Service	-	-	-
Capital Project	-	-	-
Total Disbursements	1,214,928	211,807	-
Excess (Deficiency) of Receipts Over (Under) Disbursements	(132,335)	69,570	488,168
<b>Other Financing Sources (Uses):</b>			
Operating Transfers In	193,648	-	-
Operating Transfers Out	(23,559)	-	(399,104)
Total Other Financing Sources (Uses)	170,089	-	(399,104)
Change in Cash Balances	37,754	69,570	89,064
Cash balances beginning of year	141,617	370,056	26,607
Cash balances end of year	\$ 179,371	439,626	115,671
<b>Cash Basis Fund Balances</b>			
<b>Restricted for:</b>			
Streets	\$ -	439,626	-
Urban Renewal Purposes	-	-	-
Other Purposes	-	-	115,671
Unassigned	179,371	-	-
Total Cash Basis Fund Balances	\$ 179,371	439,626	115,671

See Notes to Financial Statements.

Capital Projects			
Community Betterment	Continuing Projects	Non Major	Total
-	-	227,211	1,179,971
-	-	-	272,368
108,023	-	1,690	237,663
-	-	-	6,831
758	696	1,905	45,428
-	-	28,505	344,764
-	-	416	88,640
-	-	-	529
-	-	74,591	119,739
108,781	696	334,318	2,295,933
-	-	-	412,042
-	-	-	398,972
-	-	-	2,125
-	-	63,261	437,465
-	-	53,962	64,336
-	-	-	229,018
-	-	487,400	487,400
102,278	360,110	41,007	503,395
102,278	360,110	645,630	2,534,753
6,503	(359,414)	(311,312)	(238,820)
-	-	239,015	432,663
-	-	-	(422,663)
-	-	239,015	10,000
6,503	(359,414)	(72,297)	(228,820)
158,256	489,585	440,297	1,626,418
164,759	130,171	368,000	1,397,598
-	-	-	439,626
-	-	7,354	7,354
164,759	130,171	389,074	799,675
-	-	(28,428)	150,943
164,759	130,171	368,000	1,397,598

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, 2015

	Enterprise		
	Water	Sewer	Sewer Reserve
<b>Operating Receipts:</b>			
Charges for Service	\$ 515,586	216,371	-
Miscellaneous	-	-	-
Total Operating Receipts	515,586	216,371	-
<b>Operating Disbursements:</b>			
Business Type Activities	478,086	229,279	41,619
Total Operating Disbursements	478,086	229,279	41,619
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	37,500	(12,908)	(41,619)
<b>Non-operating Receipts (Disbursements):</b>			
Miscellaneous	1,619	13,401	1,240
Debt Service	-	-	(46,770)
Net Non-operating Receipts (Disbursements)	1,619	13,401	(45,530)
Excess (Deficiency) of Receipts Over (Under) Disbursements	39,119	493	(87,149)
<b>Other Financing Uses:</b>			
Operating Transfers Out	-	-	-
Total Other Financing Uses	-	-	-
Change in Balances	(39,119)	493	(87,149)
Cash Balances Beginning of Year	362,514	210,691	338,809
Cash Balances End of Year	\$ 401,633	211,184	251,660
<b>Cash Basis Fund Balances</b>			
Restricted for Other Purposes	\$ -	-	251,660
Unrestricted	401,633	211,184	-
Total Cash Basis Fund Balances	\$ 401,633	211,184	251,660

See Notes to Financial Statements.

Enterprise				
Sanitation	Sanitation Reserve	Ambulance	Non Major	Total
223,053	200	321,968	67,847	1,345,025
-	-	-	-	-
223,053	200	321,968	67,847	1,345,025
229,603	-	276,328	139,944	1,394,859
229,603	-	276,328	139,944	1,394,859
(6,550)	200	45,640	(72,097)	(49,834)
1,117	5,446	32,771	1,645	57,179
-	-	-	-	(46,770)
1,117	5,446	32,711	1,645	10,409
(5,433)	5,646	78,351	(70,452)	(39,425)
-	-	-	(10,000)	(10,000)
-	-	-	(10,000)	(10,000)
(5,433)	5,646	78,351	(80,452)	(49,425)
237,542	210,339	149,487	467,785	1,977,167
232,109	215,985	227,838	387,333	1,927,742
-	215,985	-	360,829	828,474
232,109	-	227,838	26,504	1,099,268
232,109	215,985	227,838	387,333	1,927,742

City of Grundy Center

Notes to Financial Statements

June 30, 2015

**(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, 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, Iowa (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational and financial relationship with the City. Complete financial statements of the Grundy Center Municipal Utilities can be obtained from its administrative office.

**Discretely Presented Component Unit**

Grundy Center Municipal Utilities- The City established a municipal utility by resolution on May 27, 1941. The City, Mayor and Council appoint the 3 member governing body which in accordance with criteria set forth by the Governmental Accounting Standards Board meets the definition of a component unit which should be discretely presented. The Utilities' financial data is reported on a separate column (Exhibit A) to emphasize that it is legally separate from the City. Grundy Center Municipal Utilities is legally separate from the City, but it is financially accountable to the City. The operating budget is subject to the approval of the City Council. During the fiscal year ended June 30, 2015, Grundy Center Municipal Utilities transferred \$977,801 to the City of Grundy Center which is accounted for in the City's financial statements as charges for services in the applicable city funds.

### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: 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 primary government and its component unit. 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. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. 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.

Capital Projects:

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

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.

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

The Enterprise, Sewer Reserve accounts for the construction costs and debt service Payments.

The Enterprise Sanitation Fund accounts for the operation and maintenance of the City's sanitation system.

The Enterprise 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.

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net 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:

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, 2015 disbursements exceeded the amounts budgeted in the general government, debt service and capital projects functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2015 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, 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	42,500	6,481	254,000	30,884	35,000	10,680
2021-2025	170,000	12,931	945,000	72,109	192,000	37,020
2026-2028	-	-	107,000	2,301	129,000	7,800
<b>Total</b>	<b>\$ 382,500</b>	<b>58,225</b>	<b>2,229,000</b>	<b>424,443</b>	<b>486,000</b>	<b>108,120</b>

Year Ending	Tax Increment Revenue Bonds		Total	
	Principal	Interest	Principal	Interest
June 30, 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	30,000	1,612	361,500	49,657
2021-2025	-	-	1,307,000	122,060
2026-2028	-	-	236,000	10,101
<b>Total</b>	<b>\$ 278,757</b>	<b>39,954</b>	<b>3,376,257</b>	<b>630,742</b>

The Code of Iowa requires principal and interest on general obligation notes and bonds be paid from the Debt Service Fund. During the year ended June 30, 2015, principal and interest payments on the 2010A General Obligation Bonds were made from the TIF Debt Service 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 revenue bond resolutions.

**(4) Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$68,068.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$203,897. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.0051412 percent, which was a decrease of 0.00256 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$26,038, \$14,776 and \$166,104 respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

- The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability	\$ 575,880	\$ 203,897	\$ 109,902

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**(5) Interfund Loans**

The City has authorized the use of Sewer Reserve fund resources to help finance the Enterprise, Storm Sewer Fund. At June 30, 2015, 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, 2015.

**(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 within 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 \$432 for single coverage and an average of \$1,080 for family coverage. For the year ended June 30, 2015, the City contributed \$13,940.

There are no retirees eligible for this benefit at June 30, 2015.

**(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, 2015, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	35,946
Comp Time	11,722
Sick Time	6,953
Total	<u>\$ 54,621</u>

This liability has been computed based on rates of pay in effect at June 30, 2015.

**(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, 2015 is as follows:

Transfer To	Transfer From	Amount
General	Special Revenue: Special Revenues	\$ 193,648
Debt Service General Obligation	Enterprise Storm Sewer	10,000
TIF Debt Service General Obligation	Special Revenue Special Revenues	205,456
Capital Projects Equipment Reserve- Public Works	General	1,559
Police Reserve	General	16,000
Fire Equipment Reserve	General	6,000
		<u>23,559</u>
Total		<u>\$ 432,663</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, 2015.

**(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 \$28,428 at June 30, 2015. 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, 2015 have been evaluated for possible adjustment to the financial statements or disclosure is December 9, 2015 which is the date of this report.

**City of Grundy Center**

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, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Total
<b>Receipts:</b>			
Property Tax	\$ 1,179,971	-	1,179,971
Tax Increment Financing	272,368	-	272,368
Other City Tax	237,663	-	237,663
License and Permits	6,831	-	6,831
Use of Money and Property	45,428	-	45,428
Intergovernmental	344,764	-	344,764
Charges for Services	88,640	1,345,025	1,433,665
Special Assessments	529	-	529
Miscellaneous	119,739	57,179	176,918
Total Receipts	2,295,933	1,402,204	3,698,137
<b>Disbursements:</b>			
Public Safety	412,042	-	412,042
Public Works	398,972	-	398,972
Health and Social Services	2,125	-	2,125
Culture and Recreation	437,465	-	437,465
Community and Economic Development	64,336	-	64,336
General Government	229,018	-	229,018
Debt Service	487,400	46,770	534,170
Capital Projects	503,395	-	503,395
Business Type Activities	-	1,394,859	1,394,859
Total Disbursements	2,534,753	1,441,629	3,976,382
Excess (Deficiency) of Receipts Over (Under) Disbursements	(238,820)	(39,425)	(278,245)
Other Financing Sources, Net	10,000	(10,000)	-
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(228,820)	(49,425)	(278,245)
Balances Beginning of Year	1,626,418	1,977,167	3,603,585
Balances End of Year	\$ 1,397,598	1,927,742	3,325,340

See Accompanying Independent Auditors' Report.

Budgeted Amounts		Final to Total Variance
Original	Final	
1,148,983	1,148,983	30,988
284,312	284,312	(11,944)
221,756	221,756	15,907
7,150	7,150	(319)
125,165	125,165	(79,737)
367,104	367,104	(22,340)
1,375,200	1,375,200	58,465
-	-	529
184,796	184,796	(7,878)
3,714,466	3,714,466	(16,329)
390,556	490,670	78,628
488,460	488,460	89,488
2,320	2,320	195
401,399	450,899	13,434
101,816	101,816	37,480
222,915	222,915	(6,103)
434,275	447,775	(86,395)
193,000	193,000	(310,395)
1,424,864	1,458,864	64,005
3,659,605	3,856,719	(119,663)
54,861	(142,253)	(135,992)
-	58,025	(58,025)
54,861	(84,228)	(194,017)
2,933,733	2,933,733	669,852
2,988,594	2,849,505	475,835

City of Grundy Center

Notes to Other Information – Budgetary Reporting

June 30, 2015

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 \$197,114. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the general government, debt service and capital projects functions.

City of Grundy Center  
 Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
 Last Fiscal Year\*  
 (In Thousands)

Other Information

	2015
City's proportion of the net pension liability	0.0051412%
City's proportionate share of the net pension liability	\$ 203
City's covered-employee payroll	\$ 799
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	25.41%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\*The amounts presented for each fiscal year were determined as of June 30.

See Accompanying Independent Auditors' Report.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Grundy Center  
Schedule of City Contributions

Iowa Public Employees' Retirement System  
Last Fiscal Year  
(In Thousands)

Other Information

	<u>2015</u>
Statutorily required contribution	\$ 68
Contributions in relation to the statutorily required contribution	(68)
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 799
Contribution as a percentage of covered-employee payroll	8.51%

See Accompanying Independent Auditors' Report.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Grundy Center

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

**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, 2015

	Special Revenue					
	Fire Department Gift Trust	Library Gift Trust	Park Board Gift Trust	Community Center Gift Trust	Ambulance Gift Trust	Tree Gift Trust
Receipts:						
Property Tax	\$ -	-	-	-	-	-
Other City Tax	-	-	-	-	-	-
Use of Money and Property	34	175	82	37	42	11
Intergovernmental	-	-	-	-	-	-
Charges For Services	-	416	-	-	-	-
Miscellaneous	5,000	14,568	6,386	7,000	4,384	-
Total Receipts	<u>5,034</u>	<u>15,159</u>	<u>6,468</u>	<u>7,037</u>	<u>4,426</u>	<u>11</u>
Disbursements:						
Operating:						
Culture and Recreation	-	51,761	11,500	-	-	-
Community and Economic Development	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-
Total Disbursements	<u>-</u>	<u>51,761</u>	<u>11,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	5,034	(36,602)	(5,032)	7,037	4,426	11
Other Financing Sources:						
Operating Transfers In	-	-	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Cash Balances	5,034	(36,602)	(5,032)	7,037	4,426	11
Cash Balances Beginning of Year	8,712	77,688	27,308	9,496	11,060	3,486
Cash Balances End of Year	<u>\$ 13,746</u>	<u>41,086</u>	<u>22,276</u>	<u>16,533</u>	<u>15,486</u>	<u>3,497</u>
<b>Cash Basis Fund Balances</b>						
Restricted for:						
Urban Renewal Purposes	-	-	-	-	-	-
Other Purposes	13,746	41,086	22,276	16,533	15,486	3,497
Unassigned	-	-	-	-	-	-
Total Cash Basis Fund Balance	<u>13,746</u>	<u>41,086</u>	<u>22,276</u>	<u>16,533</u>	<u>15,486</u>	<u>3,497</u>

See Accompanying Independent Auditors' Report.

Special Revenue		Debt Service			Capital Projects						Total
Visioning Grant	Economic Development Gift Trust	General Obligation	TIF Debt	Public Works Equipment Reserve	Fire Equipment Reserve	TIF Projects	Police Reserves	Special Assessment Projects	Housing Rehabilitation	D&D Program	Total
-	-	219,036	-	-	8,175	-	-	-	-	-	227,211
-	-	1,690	-	-	-	-	-	-	-	-	1,690
14	-	74	315	869	114	61	41	36	-	-	1,905
-	-	-	-	-	28,505	-	-	-	-	-	28,505
-	-	-	-	-	-	-	-	-	-	-	416
-	17,100	-	2,000	6,275	-	-	11,878	-	-	-	74,591
14	17,100	220,800	2,315	7,144	36,794	61	11,919	36	-	-	334,318
-	-	-	-	-	-	-	-	-	-	-	63,261
80	17,100	-	36,782	-	-	-	-	-	-	-	53,962
-	-	241,541	245,859	-	-	-	-	-	-	-	487,400
-	-	-	-	21,800	-	2,825	16,382	-	-	-	41,007
80	17,100	241,541	282,641	21,800	-	2,825	16,382	-	-	-	645,630
(66)	-	(20,741)	(280,326)	(14,656)	36,794	(2,764)	(4,463)	36	-	-	(311,312)
-	-	10,000	205,456	1,559	6,000	-	16,000	-	-	-	239,015
-	-	10,000	205,456	1,559	6,000	-	16,000	-	-	-	239,015
(66)	-	(10,741)	(74,870)	(13,097)	42,794	(2,764)	11,537	36	-	-	(72,297)
3,826	67	(17,687)	82,224	140,697	43,062	18,179	12,975	12,884	3,176	3,144	440,297
3,760	67	(28,428)	7,354	127,600	85,856	15,415	24,512	12,920	3,176	3,144	368,000
-	-	-	7,354	-	-	-	-	-	-	-	7,354
3,760	67	-	-	127,600	85,856	15,415	24,512	12,920	3,176	3,144	389,074
-	-	(28,428)	-	-	-	-	-	-	-	-	(28,428)
3,760	67	(28,428)	7,354	127,600	85,856	15,415	24,512	12,920	3,176	3,144	368,000

**City of Grundy Center**

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

Schedule 2

As of and for the year ended June 30, 2015

	Enterprise			Total
	Water Reserve	Storm Sewer	Ambulance Reserve	
Operating Receipts:				
Charges for Service	\$ -	60,754	7,093	67,847
Total Operating Receipts	-	60,754	7,093	67,847
Operating Disbursements:				
Business Type Activities	39,603	35,248	65,093	139,944
Total Operating Disbursements	39,603	35,248	65,093	139,944
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(39,603)	25,506	(58,000)	(72,097)
Non-operating Receipts				
Miscellaneous	803	94	748	1,645
Net Non-operating Receipts	803	94	748	1,645
Excess (Deficiency) of Receipts Over (Under) Disbursements	(38,800)	25,600	(57,252)	(70,452)
Other Financing Uses:				
Operating Transfers Out	-	(10,000)	-	(10,000)
Total Other Financing Uses	-	(10,000)	-	(10,000)
Change in Cash Balances	(38,800)	15,600	(57,252)	(80,452)
Cash Balances Beginning of Year	216,236	10,904	240,645	467,785
Cash Balances End of Year	\$ 177,436	26,504	183,393	387,333
<b>Cash Basis Fund Balance</b>				
Restricted for Other Purposes	\$ 177,436	-	183,393	360,829
Unrestricted	-	26,504	-	26,504
Total Cash Balance	\$ 177,436	26,504	183,393	387,333

See Accompanying Independent Auditors' Report.

City of Grundy Center  
Schedule of Indebtedness  
Year ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
<b>General Obligation Notes/Bonds:</b>			
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
<b>Total</b>			
<b>Revenue Bonds:</b>			
Sewer Revenue Bonds	February 26, 2008	3.00%	\$680,000
<b>Urban Renewal TIF Revenue Bonds:</b>			
Urban Renewal TIF Bond	June 30, 2004	5.25%	\$268,000
Urban Renewal TIF Bond	December 30, 2010	5.38%	260,000
<b>Total</b>			

See Accompanying Independent Auditors' Report

Schedule 3

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
320,000	-	100,000	220,000	42,105
215,000	-	70,000	145,000	47,275
405,000	-	90,000	315,000	12,203
425,000	-	42,500	382,500	12,927
1,549,000	-	-	1,549,000	-
<u>\$ 2,914,000</u>	<u>-</u>	<u>302,500</u>	<u>2,611,500</u>	<u>114,510</u>
516,000	-	30,000	486,000	15,480
88,843	-	28,085	60,758	4,302
242,000	-	24,000	218,000	13,004
<u>\$ 330,843</u>	<u>-</u>	<u>52,085</u>	<u>278,758</u>	<u>17,306</u>

**City of Grundy Center**

City of Grundy Center  
Bond and Note Maturities  
June 30, 2015

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		
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	
Total		<u>\$ 382,500</u>		<u>\$ 365,000</u>		<u>\$1,549,000</u>		<u>\$315,000</u>	<u>2,229,000</u>	

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
2016	3.00%	\$ 31,000	5.25%	\$ 29,573	5.375%	\$ 33,000	-	62,573
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	-	-	-	-	-	-
Total		<u>\$ 486,000</u>		<u>\$ 60,758</u>		<u>\$218,000</u>		<u>278,758</u>

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

	2015	2014	Unaudited	
			2013	2012
<b>Receipts:</b>				
Property Tax	\$ 1,179,971	1,133,058	1,130,400	1,061,098
Tax Increment Financing	272,368	265,736	235,154	193,165
Other City Tax	237,663	207,096	203,273	212,264
License and Permits	6,831	6,112	5,150	7,458
Use of Money and Property	45,428	45,742	52,389	58,075
Intergovernmental	344,764	353,476	291,317	306,946
Charges for Service	88,640	97,096	112,683	136,366
Special Assessments	529	-	-	25,000
Miscellaneous	119,739	129,522	114,955	131,488
Total	\$ 2,295,933	2,237,838	2,145,321	2,131,860
<b>Disbursements:</b>				
Operating:				
Public Safety	\$ 412,042	396,734	349,363	350,478
Public Works	398,972	418,222	448,640	456,596
Health and Social Services	2,125	1,440	2,320	2,320
Culture and Recreation	437,465	393,896	376,270	401,495
Community and Economic Development	64,336	68,214	136,969	190,023
General Government	229,018	248,921	218,402	215,398
Debt Service	487,400	464,916	408,264	391,706
Capital Projects	503,395	235,528	293,684	151,795
Total	\$ 2,534,753	2,227,871	2,233,912	2,159,811

See Accompanying Independent Auditors' Report.

Schedule 5

Unaudited					
2011	2010	2009	2008	2007	2006
1,054,786	986,636	980,859	846,224	878,983	793,576
165,119	140,400	176,200	134,272	113,161	98,702
201,233	182,004	192,884	177,878	181,982	159,582
6,309	6,410	5,802	5,066	5,206	7,485
28,188	31,181	36,017	105,295	57,244	55,810
282,953	278,781	398,665	298,492	288,327	516,825
130,002	121,056	124,985	60,213	60,217	85,245
2,962	3,170	7,550	4,995	25,634	26,378
254,532	174,633	275,903	342,221	124,300	225,084
2,126,084	1,924,271	2,198,865	1,974,656	1,735,054	1,968,687
342,692	357,985	314,050	285,389	262,614	284,886
420,649	478,164	549,860	463,046	451,869	587,681
2,320	1,820	1,820	4,520	4,020	4,020
412,746	401,056	345,664	303,227	290,401	317,876
52,311	68,166	73,997	149,609	181,294	206,680
208,024	198,727	200,029	185,502	177,220	185,679
352,635	344,954	380,580	173,397	50,740	51,340
418,241	51,256	392,654	2,983,860	565,344	457,461
2,209,618	1,902,128	2,258,654	4,548,550	1,983,502	2,095,623

**Dennis P. Donovan**  
Certified Public Accountant, PC  
1100 Gilbert Street, PO Box 516  
Charles City, IA 50616-0516  
Phone/Fax - (641) 228-1061  
www.dennisdonovanpcpa.com  
Email - dpdonovan@mchsi.com

---

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, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 9, 2015. Our report includes a reference to other auditors who audited the financial statements of Grundy Center Municipal Utilities, as described in our report on the City of Grundy Center's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

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, 2015 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.

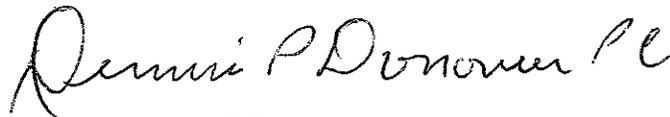
### The City of Grundy Center's Responses to Findings

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.

December 9, 2015

**City of Grundy Center**

City of Grundy Center  
Grundy Center, Iowa

Schedule of Findings

Year Ended June 30, 2015

**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, 2015

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, 2015 exceeded the amounts budgeted in the general government, 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 – We noted no business transactions between the City and City officials or employees.
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.

The City Council went into a closed session on three separate occasions. However the minutes record did not document a roll call vote to enter into closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open meeting law.

City of Grundy Center  
Grundy Center, Iowa

Schedule of Findings (Continued)

Year Ended June 30, 2015

6. City Council Minutes (Continued)

Although the minutes of City Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and should publish minutes as required.

Response – We will comply with the code requirements for closed sessions. Although the minutes were submitted to the paper on a timely basis, the deadline for submission was missed which delayed publication until the following week.

Conclusion – Response accepted.

7. Deposits and Investments – No instances of non-compliance with deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and City's investment policies were noted.

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 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, 2015

10. Payment of General Obligation Bonds - Certain general obligation bonds were paid from the TIF Debt Service Fund. While certain general obligation is required to be paid from TIF Debt Service Fund, the 2010A General Obligation Bond is not.

Recommendation – The City should ensure payments for principal and interest on general obligation notes and bonds be made from the proper fund.

Response – We will make principal and interest payments from the proper funds in the future.

Conclusion – Response accepted.

11. Financial Condition – We noted the Debt Service Fund had a deficit balance of \$28,428 at June 30, 2015.

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.