CITY OF GRUNDY CENTER

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2017

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City of Grundy Center

Officials

Name	Title	Term Expires
Brian Buhrow	Mayor	Jan 2018
Mike Ammerman	Council Member	Jan 2020
Janetta Miller	Council Member	Jan 2020
Al Kiewiet	Council Member	Jan 2020
Dave Stefl	Council Member	Jan 2018
Chad Hamann	Council Member	Jan 2018
Kristy Sawyer	City Clerk/Treasurer	Jan 2018
Seth Schroeder	City Attorney	Jan 2018

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Independent Auditor's 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, 2017, 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.

Auditor's 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 $5,070,329 as of June 30, 2017 and total operating receipts and disbursements of $4,780,382 and $6,100,180, 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, 2017 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.

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 six 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 not presented herein) and expressed adverse, qualified and unqualified opinions on the 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 two years ended June 30, 2016 (which are not presented herein) and expressed 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 6 through 11 and 32 through 37 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 November 29, 2017 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, PC

Charles City, Iowa

November 29, 2017

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, 2017. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 26.45%, or approximately $668,432, from fiscal year 2016 to fiscal year 2017. Grants, contributions and restricted interest decreased approximately $2,868. Tax Increment Financing receipts decreased approximately $26,162. Note proceeds were a substantial part of the increase.

- Disbursements of the City's governmental activities increased 26.23%, or approximately $622,933, in fiscal year 2017 from fiscal year 2016. Capital projects disbursement increased $652,116.

- The City's total cash basis net position increased 9.70%, or approximately $341,950, from June 30, 2016 to June 30, 2017. Of this amount, the cash basis net position of the governmental activities increased approximately $185,237 and the cash basis net position of the business type activities increased approximately $156,713.

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 $1,537,335 to approximately $1,722,571. 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,	
	2017	2016
Receipts and Transfers:		
Program Receipts:		
Charges for Service	$ 222,436	145,545
Operating grants, contributions & restricted interest	458,529	462,263
Capital grants, contributions & restricted interest	1,223	357
General Receipts:		
Property tax	1,284,668	1,182,130
Tax increment financing	258,243	284,405
Local option sales tax	237,734	195,324
Commercial/ Industrial Tax Replacement	31,010	39,843
Unrestricted investment earnings	27,846	11,986
Bond Proceeds	561,261	-
Other general receipts	82,897	176,419
Sale of Capital Assets	16,358	15,592
Total Receipts and Transfers	3,182,205	2,513,773
Disbursements:		
Public safety	482,895	474,553
Public works	562,010	546,293
Health and social services	1,355	1,120
Culture and recreation	413,471	396,786
Community and economic development	61,112	112,627
General government	363,274	384,597
Debt Service	436,575	433,899
Capital Projects	676,276	24,160
Total Disbursements	2,996,968	2,374,035
Change in Cash Basis Net Position	185,237	139,738
Cash Basis Net Position Beginning of Year	1,537,335	1,397,597
Cash Basis Net Position End of Year	$ 1,722,572	1,537,335

The City's total receipts for governmental activities increased 26.45%, or approximately $664,987. The total cost of all programs and services increased approximately $619,489, or 27.09%, mainly due to capital project costs.

The cost of all governmental activities this year was approximately $2,993,524 compared to approximately $2,374,035 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 $2,496,572 because some of the cost was paid by those directly benefiting from the programs ($222,436) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest ($459,752). The City paid for the remaining "public benefit" portion of governmental activities with $1,284,665 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 2017 from approximately $608,074, to approximately $682,188.

Changes in Cash Basis Net Position of Business Type Activities

	Year Ended June 30,	
	2017	2016
Receipts:		
Program receipts:		
Water	$ 560,274	524,253
Sewer Rental	305,949	262,418
Storm Sewer	50,097	49,112
Sanitation	259,171	252,367
Ambulance	393,955	347,428
Miscellaneous	22,144	1,847
Total Receipts	1,591,590	1,437,425
Disbursements and Transfers:		
Water	469,713	511,633
Sewer Rental	357,075	307,152
Storm Sewer	39,765	42,358
Sanitation	251,888	250,595
Ambulance	316,436	266,054
Total Disbursements and Transfers	1,434,877	1,377,792
Change in Cash Basis Net Position	156,713	59,633
Cash Basis Net Position Beginning of Year	1,987,375	1,927,742
Cash Basis Net Position End of Year	$ 2,144,088	1,987,375

Total business type activities receipts for the fiscal year were $1,591,590 compared to $1,437,425 last year. Total disbursements for the fiscal year increased 4.14% to approximately $1,434,877.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Grundy Center completed the year, its governmental funds reported a combined fund balance of $1,722,571, an increase of $185,236 from last year's total of $1,537,335. 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 $171,787 from the prior year to $421,315. The largest increases in cash balance were primarily due to an increase in license and permits, while Public Safety disbursements decreased.

- The Special Revenue, Road Use Tax Fund cash balance decreased $33,401 to $450,198. Road Use Tax disbursements were higher in this fiscal year than last. The City will continue to use this money to upgrade the condition of all City roads.

- The Debt Service Fund cash balance increased during fiscal 2017 from a deficit balance. Tax Receipts were moderately higher while disbursements were higher from the prior year.

- The Capital Project, Continuing Projects Fund cash balance decreased $92,119 due to the cost of the Waste Water Ultra Violet Disinfection System Capital Project. The costs were offset by proceeds from a Sewer Revenue Bond.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased $94,153 to $517,204, with increased receipts as well as decreased disbursements.

- The Enterprise, Sewer Fund cash balance decreased $7,258 to $200,574, higher operating receipts were offset by transfers to the newly established Sewer Sinking Fund.

- The Enterprise, Sanitation Fund cash balance increased $9,271 to $243,340. Receipts were higher, but disbursements were consistent with the prior year.

- The Enterprise, Sanitation Reserve had no activity in fiscal 2017.

- The Enterprise, Ambulance Fund cash balance increased by $73,913 to $369,534. Increased operating receipts offset by higher operating costs. Country assistance and a Community Foundation grant were new fiscal 2017.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget twice. The amendments were approved on March 6, 2017 and May 1, 2017 and resulted in an increase in operating receipts, debt proceeds and program disbursements.

The City's receipts were $177,965 less than budgeted. While taxes and the use of money and property were more than budgeted, receipts from other sources were less than budgeted.

With the budget amendment, total disbursements were $439,617 less than the amended budget.

The City did not exceed the amounts budgeted in any functions for the year ended June 30, 2017.

DEBT ADMINISTRATION

At June 30, 2017, the City had $3,200,761 of bonds and other long-term debt outstanding, compared to $3,030,185 outstanding at June 30, 2016.

Outstanding Debt at Year End			
	Year ended June 30,		
		2017	2016
General Obligation Notes and Bonds	$	2,101,500	2,359,000
Revenue Notes and Bonds		1,099,261	671,185
Total	$	3,200,761	3,030,185

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 $2,101,500 is significantly below its constitutional debt limit of approximately $7,223,970. 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 elected and appointed officials took action of Fiscal Year 2018 budget in early March 2017 to meet the deadline. While completing this budget, the City felt the need to maintain the property tax levy as much as possible due to the recent reassessments completed by the County. The current economy in Grundy Center has increased slightly with the long term care assisted living development along with three new single family homes being built. The City did increase the sewer rates due to the installation of an ultra violet disinfection system at the wastewater facility to assist in meeting the requirements set by Iowa Department of Natural Resources. As he City continues to look forward, the concerns for the future are with the aging structure underground, water distributions, sanitary sewer services and storm water sewer systems. This, along with the upcoming Downtown Revitalization Project, 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.

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

City of Grundy Center
Cash Basis Statement of Activities and Net Position
As of and for the year ended June 30, 2017

		Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions & Restricted Interest	Capital Grants, Contributions & Restricted Interests
Functions/Programs:				
Primary Government:				
Governmental Activities:				
Public Safety	482,895	47,068	56,250	1,223
Public Works	562,010	-	335,933	-
Health and Social Services	1,355	-	-	-
Culture and Recreation	413,471	106,495	52,373	-
Community& Economic Development	61,112	-	5,000	-
General Government	363,274	51,173	-	-
Debt Service	436,575	-	-	-
Capital Projects	676,276	17,700	8,973	-
Total Governmental Activities	2,996,968	222,436	458,529	1,223
Business Type Activities:				
Water	469,713	560,274	-	-
Sewer Rental	357,075	305,949	-	-
Storm Sewer	39,765	50,097	-	-
Sanitation	251,888	259,171	-	-
Ambulance	316,436	380,152	13,803	-
Total Business Type Activities	1,434,877	1,555,643	13,803	-
Total Primary Government	$ 4,428,401	1,778,079	472,332	1,223
Component Unit:				
Grundy Center Municipal Utilities	$ 6,100,180	4,780,382	-	-
General Receipts and Transfers:				
Property and other city taxes levied for:				
General Purpose				
Debt Service				
Tax Increment Financing				
Local Option Sales Tax				
Commercial Industrial Tax Replacement				
Unrestricted Interest on Investments				
Bond Proceeds				
Miscellaneous				
Sale of Capital Assets				
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				
Cash Basis Net Position				
Restricted:				
Expendable:				
Streets				
Urban Renewal Purposes				
Debt Service				
Other Purposes				
Unrestricted				
Total Cash Basis Net Position				

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
Governmental Activities	Business Type Activities	Total	Component Unit Grundy Center Municipal Utilities
(378,354)	-	(378,354)	-
(226,077)	-	(226,077)	-
(1,355)	-	(1,355)	-
(254,603)	-	(254,603)	-
(56,112)	-	(56,112)	-
(312,101)	-	(312,101)	-
(436,575)	-	(436,575)	-
(649,603)	-	(649,603)	-
(2,314,780)	-	(2,314,780)	-
-	90,561	90,561	-
-	(51,126)	(51,126)	-
-	10,332	10,332	-
-	7,283	7,283	-
-	77,519	77,519	-
-	134,569	134,569	-
(2,311,336)	134,569	(2,176,767)	-
-	-	-	(1,319,798)
1,007,671	-	1,007,671	-
276,997	-	276,997	-
258,243	-	258,243	-
237,734	-	237,734	-
31,010	-	31,010	-
27,846	-	27,846	58,906
561,261	-	561,261	178,487
82,897	22,144	105,041	-
16,358	-	16,358	-
2,500,017	22,144	2,522,161	237,393
185,237	156,713	341,950	(1,082,405)
1,537,335	1,987,375	3,524,710	6,152,734
1,722,572	2,144,088	3,866,660	5,070,329
$ 450,198	-	450,198	-
84,392	-	84,392	-
26,487	999	27,486	-
740,180	768,826	1,509,006	44,527
421,315	1,374,263	1,795,578	5,025,802
$ 1,722,572	2,144,088	3,866,660	5,070,329

City of Grundy Center

Exhibit B

Statement of Cash Basis Receipts, Disbursements

and Changes in Cash Balances

Governmental Funds

As of and for the year ended June 30, 2017

		Special Revenues		Capital Projects		
	General	Road Use Tax	Debt Service	Continuing Projects	Non Major	Total
Receipts:						
Property Tax	$ 735,776	-	274,968	-	258,933	1,269,677
Tax Increment Financing	-	-	-	-	258,243	258,243
Other City Tax	19,518	-	2,029	-	239,387	260,934
Licenses and Permits	51,865	-	-	-	-	51,865
Use of Money and Property	107,242	-	-	-	-	107,242
Intergovernmental	54,694	335,933	6,989	8,973	51,749	458,338
Charges for Service	42,600	-	-	-	-	42,600
Miscellaneous	106,525	-	-	-	49,162	155,687
Total Receipts	1,118,220	335,933	283,986	8,973	857,474	2,604,586
Disbursements:						
Operating:						
Public Safety	291,503	-	-	-	191,392	482,895
Public Works	122,260	369,334	-	-	70,416	562,010
Health and Social Services	1,355	-	-	-	-	1,355
Culture and Recreation	351,966	-	-	-	61,505	413,471
Community and Economic Development	7,577	-	-	-	53,535	61,112
General Government	221,697	-	-	-	141,577	363,274
Debt Service	-	-	277,321	-	159,254	436,575
Capital Project	13,842	-	-	662,352	82	676,276
Total Disbursements	1,010,200	369,334	277,321	662,352	677,761	2,996,968
Excess (Deficiency) of Receipts Over (Under) Disbursements	108,020	(33,401)	6,665	(653,379)	179,713	(392,382)
Other Financing Sources (Uses):						
Bond Proceeds	-	-	-	561,261	-	561,261
Sale of Capital Assets	-	-	-	-	16,358	16,358
Operating Transfers In	118,867	-	18,873	-	173,967	311,707
Operating Transfers Out	(55,100)	-	-	-	(256,607)	(311,707)
Total Other Financing Sources (Uses)	63,767	-	18,873	561,261	(66,282)	577,619
Change in Cash Balances	171,787	(33,401)	25,538	(92,118)	113,431	185,237
Cash balances beginning of year	249,528	483,599	949	188,990	614,269	1,537,335
Cash balances end of year	$ 421,315	450,198	26,487	96,872	727,700	1,722,572
Cash Basis Fund Balances						
Restricted for:						
Streets	$ -	450,198	-	-	-	450,198
Urban Renewal Purposes	-	-	-	-	84,392	84,392
Debt Services	-	-	26,487	-	-	26,487
Other Purposes	-	-	-	96,872	643,308	740,180
Unassigned	421,315	-	-	-	-	421,315
Total Cash Basis Fund Balances	$ 421,315	450,198	26,487	96,872	727,700	1,722,572

See Notes to Financial Statements.

City of Grundy Center

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, 2017

	Enterprise		
	Water	Sewer	Sanitation
Operating Receipts:			
Charges for Service	$ 560,274	305,949	259,171
Miscellaneous	3,592	12,417	1,988
Total Operating Receipts	563,866	318,366	261,159
Operating Disbursements:			
Business Type Activities	469,713	277,738	251,888
Total Operating Disbursements	469,713	277,738	251,888
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	94,153	40,628	9,271
Non-operating Receipts (Disbursements):			
Intergovernmental	-	-	-
Miscellaneous	-	-	-
Debt Service	-	-	-
Net Non-operating Receipts (Disbursements)	-	-	-
Excess (Deficiency) of Receipts Over (Under) Disbursements	94,153	40,628	9,271
Other Financing Uses:			
Operating Transfers In	-	-	-
Operating Transfers Out	-	(47,886)	-
Total Other Financing Uses	-	(47,886)	-
Change in Balances	94,153	(7,258)	9,271
Cash Balances Beginning of Year	423,051	207,832	234,069
Cash Balances End of Year	$ 517,204	200,574	243,340
Cash Basis Fund Balances			
Restricted for Other Purposes	$ -	-	-
Unrestricted	517,204	200,574	243,340
Total Cash Basis Fund Balances	$ 517,204	200,574	243,340

See Notes to Financial Statements.

Enterprise			
Sanitation Reserve	Ambulance	Non Major	Total
-	380,152	50,097	1,555,643
-	147	-	18,144
-	380,299	50,097	1,573,787
-	316,432	39,769	1,355,540
-	316,432	39,769	1,355,540
-	63,867	10,328	218,247
-	6,046	7,757	13,803
-	4,000	-	4,000
-	-	(79,337)	(79,337)
-	10,046	(71,580)	(61,534)
-	73,913	(61,252)	156,713
-	-	47,886	47,886
-	-	-	(47,886)
-	-	47,886	-
-	73,913	(13,366)	156,713
216,492	295,621	610,310	1,987,375
216,492	369,534	596,944	2,144,088
216,492	-	553,333	769,825
-	369,534	43,611	1,374,263
216,492	369,534	596,944	2,144,088

(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, 2017, Grundy Center Municipal Utilities transferred $1,068,296 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 Debt Service Fund is used is utilized to account for property tax and other receipts to be used for the payments of interest and principal on the City's general long term debt.

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

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, as well as transfers to the sewer sinking fund for payment of principal and interest on revenue bonds.

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, 2017 disbursements did not exceed the amounts budgeted in any function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2017 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	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2018	42,500	9,049	246,000	42,116	52,261	22,066
2019	42,500	7,756	252,000	36,677	58,000	20,695
2020	42,500	6,481	254,000	30,884	59,000	19,255
2021	42,500	5,171	264,000	25,048	61,000	17,785
2022	42,500	3,878	270,000	18,997	62,000	16,267
2023-2027	85,000	3,882	518,000	30,365	340,000	57,047
2028-2032	-	-	-	-	193,000	20,692
2033-2036	-	-	-	-	131,000	5,793
Total	$ 297,500	36,217	1,804,000	184,086	956,261	179,600

Year Ending	Tax Increment Revenue Bonds		Total	
June 30,	Principal	Interest	Principal	Interest
2018	51,000	7,686	391,761	80,917
2019	62,000	4,945	414,500	70,073
2020	30,000	1,612	385,500	58,232
2021	-	-	367,500	48,004
2022	-	-	374,500	39,142
2023-2027	-	-	943,000	91,294
2028-2032	-	-	193,000	20,692
2033-2036	-	-	131,000	5,793
Total	$ 143,000	14,243	3,200,761	414,147

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 were 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. The bond was paid in full during fiscal year 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.

On November 18, 2016, the City issued $689,000 of Sewer Revenue Bonds, series 2016, for the purpose of providing funds to pay a portion of the cost of planning, designing and constructing improvements and extensions to the Municipal Sanitary Sewer System. Interest on the bonds is 1.75% and interest and principal are due on the bonds through June 1, 2036. The bonds are not general obligation of the City, and are payable solely and only out of the future net revenues of the Municipal Sanitary Sewer System. At June 30, 2017, $561,261 has been advanced on the bond, with $5,000 remaining to be advanced pending completion and inspection of the project.

(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.

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, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.50% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-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% 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% 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 - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Stater 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 2017, pursuant to the required rate, Regular members contributed 5.95% of pay and the City contributed 8.93% for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2017 were $75,209.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the City reported a liability of $428,175 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the 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, 2016, the City's proportion was 0.0068036%, which was an increase of 0.000816% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017 the City pension expense, deferred outflows and deferred inflows totaled $76,384, $203,644 and $88,354 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2016 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% per annum
Rates of salary increase (effective June 30, 2010)	4.00% of 17.00% average, including inflation. Rates vary by membership group
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 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 IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of 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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of
Core plus fixed income	28	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. 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, IPERS' 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 7.50%, 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% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	$ 857,375	$ 428,175	$ 66,137

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at 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, 2017.

(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 $544 for single coverage and an average of $1,361 for family coverage.

There are no retirees eligible for this benefit at June 30, 2017.

(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, 2017, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	56,074
Comp Time	6,334
Sick Time	12,304
Total	$ 74,712

This liability has been computed based on rates of pay in effect at June 30, 2017.

(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, the employee paid portion of the premium was increased to $45 per month for a family coverage and $10 per month for single coverage, which reduced the liability to the City. The insurance carrier provides information on the coverage of claims and, based on this, a third party administrator determined and reimburses the employees for its share of the liability on a weekly basis.

(9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

Transfer To	Transfer From	Amount
General	Special Revenue:	
	Local Option Sales Tax	$ 118,867
Special Revenue	Special Revenue	
Community Betterment	Local Option Sales Tax	118,867
Fire Equipment Reserve	General	34,500
Police Reserve	General	10,000
Park Board Gift Trust	General	10,600
		173,967
Debt Service	Special Revenue	
	Tax Increment Financing	18,873
Enterprise	Enterprise	
Sewer Sinking Fund	Sewer	47,886
Total		$ 359,593

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 business transactions between the City and City officials during the year ended June 30, 2017 totaling $1,801.

(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) Excess Fund Balance

We noted the fund balances of the Governmental Funds, Road Use Tax and fourteen of the non major funds and the Enterprise Funds, Water, Ambulance and Storm Sewer and all 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.

(13) Development Agreements

The City currently has development agreements with seven local entities. The purpose of the agreements vary by entity, however each agreement requires the City to pay the entity an amount of money annually, provided each entity is in compliance with the terms of their respective agreement. Below is a schedule of entities, purpose of agreements, payments made in fiscal 2017 from outstanding tax increment financing revenues, and the balance as of June 30, 2017.

Entity	Purpose of Agreement	2017 Payment	Balance Remaining
ELM	Purchase and improve property	$ 1,265	$ 69,484
GCMH	Operate & maintain hospital	13,000	80,000
HEM	Rebuild after fire & maintain and operate	718	299,282
JESCO	Expand & maintain business operations	2,004	42,996
Richelieu	Expand & maintain business operations	1,524	116,247
Spartan	Construct & maintain carwash	5,397	7,500
Van Wechel	Construct & maintain commercial business	9,000	54,000
Total		$ 32,908	$ 669,509

(14) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments ad an individual or entity in which (a) one or more government promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promise to take a specific action after the agreement has been entered into that contributes to economic development and otherwise benefits the government or the citizens of those governments.

(14) Tax Abatements (continued)

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant of to pay the developers a predetermined dollar amount, No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2017, the City abated $32,908 of property tax under the urban renewal and economic development projects.

(15) Subsequent Events

The date through which events occurring after June 30, 2017 have been evaluated for possible adjustment to the financial statements or disclosure is November 29, 2017 which is the date of this report.

(16) New Accounting Pronouncement

The City adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about the City's tax abatements and tax abatements of other entities which impact the City.

(17) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information.

City of Grundy Center

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

Year ended June 30, 2017

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property Tax	$ 1,269,677	-	1,269,677
Tax Increment Financing	258,243	-	258,243
Other City Tax	260,934	-	260,934
License and Permits	51,865	-	51,865
Use of Money and Property	107,242	-	107,242
Intergovernmental	458,338	13,803	472,141
Charges for Services	42,600	1,573,787	1,616,387
Miscellaneous	155,687	4,000	159,687
Total Receipts	2,604,586	1,591,590	4,196,176
Disbursements:			
Public Safety	482,895	-	482,895
Public Works	562,010	-	562,010
Health and Social Services	1,355	-	1,355
Culture and Recreation	413,471	-	413,471
Community and Economic Development	61,112	-	61,112
General Government	363,274	-	363,274
Debt Service	436,575	-	436,575
Capital Projects	676,276	-	676,276
Business Type Activities	-	1,434,877	1,434,877
Total Disbursements	2,996,968	1,434,877	4,431,845
Excess (Deficiency) of Receipts Over (Under) Disbursements	(392,382)	156,713	(235,669)
Other Financing Sources, Net	577,619	-	577,619
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	185,237	156,713	341,950
Balances Beginning of Year	1,537,335	1,987,375	3,524,710
Balances End of Year	$ 1,722,572	2,144,088	3,866,660

See Accompanying Independent Auditor's Report.

Budgeted Amounts		Final to Total Variance
Original	Final	
1,255,950	1,255,950	13,727
269,490	269,490	(11,247)
351,265	351,265	(90,331)
9,440	55,440	(3,575)
95,304	95,304	11,938
532,892	615,392	(143,251)
1,471,500	1,471,500	144,887
214,020	259,800	(100,113)
4,199,861	4,374,141	(177,965)
422,692	522,692	39,797
514,338	602,838	40,828
2,320	2,350	995
403,902	437,610	24,139
92,468	174,968	113,856
383,010	389,510	26,236
455,879	455,879	19,304
-	714,250	37,974
1,526,889	1,567,921	133,044
3,801,528	4,868,018	436,173
398,333	(493,877)	258,208
-	715,000	(137,381)
398,333	221,123	120,827
2,876,989	2,876,989	647,721
3,275,322	3,098,112	768,548

City of Grundy Center

Notes to Other Information – Budgetary Reporting

June 30, 2017

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 $1,066,490. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2017, disbursements did not exceed the amounts budgeted in any functions.

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

Iowa Public Employees' Retirement System
Last Three Fiscal Years*
(In Thousands)

Other Information

	2017	2016	2015
City's proportion of the net pension liability	0.0068036%	0.0059877%	0.0051412%
City's proportionate share of the net pension liability	$ 428	$ 295	$ 203
City's covered-employee payroll	$ 810	$ 796	$ 799
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	52.83%	37.10%	25.41%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

*In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See Accompanying Independent Auditor's 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 Three Fiscal Years
(In Thousands)

Other Information

	2017	2016	2015
Statutorily required contribution	$ 75	$ 74	$ 68
Contributions in relation to the statutorily required contribution	(75)	(74)	(68)
Contribution deficiency (excess)	$ -	$ -	$ -
City's covered-employee payroll	$ 810	$ 796	$ 799
Contribution as a percentage of covered-employee payroll	9.14%	8.67%	8.51%

See Accompanying Independent Auditor's 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, 2017

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for 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% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 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.

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% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% 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.

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, 2017

	Special Revenue								
	Employee Benefits	D&D Program	Emergency	Local Option Sales Tax	Tax Increment Financing	Community Betterment	Housing Rehab	Public Works Equip Reserve	Fire Equip Reserve
Receipts:									
Property Tax	$ 229,267	-	21,457	-	-	-	-	-	8,209
Tax Increment Financing	-	-	-	-	258,243	-	-	-	-
Other City Tax	1,600	-	53	237,734	-	-	-	-	-
Intergovernmental	3,118	-	590	-	-	-	-	-	48,041
Miscellaneous	-	-	-	-	-	-	-	9,159	4,248
Total Receipts	233,985	-	22,100	237,734	258,243	-	-	9,159	60,498
Disbursements:									
Operating:									
Public Safety	81,361	-	-	-	-	-	-	-	103,803
Public Works	70,416	-	-	-	-	-	-	-	-
Culture and Recreation	24,280	-	-	-	-	-	-	-	-
Community and Economic Development	-	-	-	-	47,285	-	-	-	-
General Government	32,291	-	-	-	-	109,286	-	-	-
Debt Service	-	-	-	-	159,254	-	-	-	-
Capital Projects	82	-	-	-	-	-	-	-	-
Total Disbursements	208,430	-	-	-	206,539	109,286	-	-	103,803
Excess (Deficiency) of Receipts Over (Under)	25,555	-	22,100	237,734	51,704	(109,286)	-	9,159	(43,305)
Other Financing Sources:									
Sale of Capital Assets	-	-	-	-	-	-	-	-	14,250
Operating Transfers In	-	-	-	-	-	118,867	-	-	34,500
Operating Transfers Out	-	-	-	(237,734)	(18,873)	-	-	-	-
Total Other Financing Sources	-	-	-	(237,734)	(18,873)	118,867	-	-	48,750
Change in Cash Balances	25,555	-	22,100	-	32,831	9,581	-	9,159	5,445
Cash Balances Beginning of Year	34,991	144	-	-	36,134	153,945	3,176	65,222	171,616
Cash Balances End of Year	$ 60,546	144	22,100	-	68,965	163,526	3,176	74,381	177,061
Cash Basis Fund Balances									
Restricted for:									
Urban Renewal Purposes	-	-	-	-	68,965	-	-	-	-
Other Purposes	60,546	144	22,100	-	-	163,526	3,176	74,381	177,061
Total Cash Basis Fund Balance	60,546	144	22,100	-	68,965	163,526	3,176	74,381	177,061

See Accompanying Independent Auditor's Report.

Schedule 1

Special Revenue									Capital Projects		
Police Reserve	Fire Dept. Gift Trust	Library Gift Trust	Park Board Gift Trust	Community Center Gift Trust	Ambulance Gift Trust	Tree Gift Trust	Vision Grant	Economic Development Gift Trust	TIF Projects	Special Assessments Project	Total
-	-	-	-	-	-	-	-	-	-	-	258,933
-	-	-	-	-	-	-	-	-	-	-	258,243
-	-	-	-	-	-	-	-	-	-	-	239,387
-	-	-	-	-	-	-	-	-	-	-	51,749
-	1,380	17,060	10,065	-	1,000	-	-	6,250	-	-	49,162
-	1,380	17,060	10,065	-	1,000	-	-	6,250	-	-	857,474
6,228	-	-	-	-	-	-	-	-	-	-	191,392
-	-	-	-	-	-	-	-	-	-	-	70,416
-	-	16,944	20,208	-	-	-	73	-	-	-	61,505
-	-	-	-	-	-	-	-	6,250	-	-	53,535
-	-	-	-	-	-	-	-	-	-	-	141,577
-	-	-	-	-	-	-	-	-	-	-	159,254
-	-	-	-	-	-	-	-	-	-	-	82
6,228	-	16,944	20,208	-	-	-	73	6,250	-	-	677,761
(6,228)	1,380	116	(10,143)	-	1,000	-	(73)	-	-	-	179,713
2,108	-	-	-	-	-	-	-	-	-	-	16,358
10,000	-	10,600	-	-	-	-	-	-	-	-	173,967
-	-	-	-	-	-	-	-	-	-	-	(256,607)
12,108	-	10,600	-	-	-	-	-	-	-	-	(66,282)
5,880	1,380	116	457	-	1,000	-	(73)	-	-	-	113,431
2,955	13,753	54,529	14,803	14,791	15,600	3,499	3,690	67	15,427	9,927	614,269
8,835	15,133	54,645	15,260	14,791	16,600	3,499	3,617	67	15,427	9,927	727,700
-	-	-	-	-	-	-	-	-	15,427	-	84,392
8,835	15,133	54,645	15,260	14,791	16,600	3,499	3,617	67	-	9,927	643,308
8,835	15,133	54,645	15,260	14,791	16,600	3,499	3,617	67	15,427	9,927	727,700

City of Grundy Center

Schedule 2

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

As of and for the year ended June 30, 2017

	Enterprise					
	Water Reserve	Sanitary Sewer Reserve	Sewer Sinking Fund	Ambulance Reserve	Storm Sewer	Total
Operating Receipts:						
Charges for Service	$ -	-	-	-	50,097	50,097
Total Operating Receipts	-	-	-	-	50,097	50,097
Operating Disbursements:						
Business Type Activities	-	-	-	4	39,765	39,769
Total Operating Disbursements	-		-	4	39,765	39,769
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	-		-	(4)	10,332	10,328
Non-operating Receipts						
Intergovernmental	-		-	7,757	-	7,757
Debt Service	-	(32,550)	(46,787)	-	-	(79,337)
Net Non-operating Receipts	-	(32,550)	(46,787)	7,757	-	(71,580)
Excess (Deficiency) of Receipts Over (Under) Disbursements	-	(32,550)	(46,787)	7,753	10,332	(61,252)
Other Financing Uses:						
Operating Transfers In	-	-	47,886	-	-	47,886
Total Other Financing Uses	-	-	47,886	-	-	47,886
Change in Cash Balances	-	(32,550)	1,099	7,753	10,332	(13,366)
Cash Balances Beginning of Year	169,099	210,741	(100)	197,291	33,279	610,310
Cash Balances End of Year	$ 169,099	178,191	999	205,044	43,611	596,944
Cash Basis Fund Balance						
Restricted for Other Purposes	$ 169,099	178,191	999	205,044	-	553,333
Unrestricted	-	-	-	-	43,611	43,611
Total Cash Balance	$ 169,099	178,191	999	205,044	43,611	596,944

See Accompanying Independent Auditor's Report.

City of Grundy Center

Schedule of Indebtedness

Year ended June 30, 2017

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Notes/Bonds:			
Aquatic Center Bonds, Series 2007	July 15, 2007	4.20-4.95%	$1,500,000
Aquatic Center Bonds, Series 2007B	July 15, 2007	4.20-4.95%	1,200,000
Corporate Purpose & Refunding Bond,	November 1, 2010	1.00-3.75%	670,000
Corporate Purpose Note, Series 2013A	November 4, 2013	3.00%	425,000
Refunding Bonds, Series 2014A	June 12, 2014	2.15%	1,549,000
Total			
Revenue Bonds:			
Sewer Revenue Bonds	February 26, 2008	3.00%	$680,000
Sewer Revenue Bonds	November 18, 2016	1.75%	$689,000
Urban Renewal TIF Revenue Bonds:			
Urban Renewal TIF Bond	June 30, 2004	5.25%	$268,000
Urban Renewal TIF Bond	December 30, 2010	5.38%	260,000
Total			

See Accompanying Independent Auditor's Report

Schedule 3

	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
	110,000	-	110,000	-	32,150
	75,000	-	75,000	-	40,625
	285,000	-	30,000	255,000	9,607
	340,000	-	42,500	297,500	10,338
	1,549,000	-	-	1,549,000	-
$	2,359,000	-	257,500	2,101,500	92,720
	455,000	-	32,000	423,000	13,650
	-	561,261	28,000	533,261	4,550
	455,000	561,261	60,000	956,261	18,200
	31,083	-	31,083	-	1,232
	185,000	-	42,000	143,000	9,939
$	216,083	-	73,083	143,000	11,171

City of Grundy Center

Schedule 4

City of Grundy Center
Bond and Note Maturities
June 30, 2017

Year Ending June 30,	General Obligation Notes Corporate Purpose Series 2013A Issued November 4, 2013 Interest Rates	Amount
2018	3.00%	$ 42,500
2019	3.00	42,500
2020	3.00	42,500
2021	3.00	42,500
2022	3.00	42,500
2023	3.00	42,500
2024	3.00	42,500
2025	-	-
2026	-	-
Total		$ 297,500

Year Ending June 30,	General Obligation Bonds Refunding, Series 2014A Issued June 12, 2014 Interest Rates	Amount	Corporate Purpose Series 10A Issued November 1, 2010 Interest Rates	Amount	Total
2018	2.15%	216,000	2.65%	$ 30,000	246,000
2019	2.15	222,000	3.40	30,000	252,000
2020	2.15	224,000	3.40	30,000	254,000
2021	2.15	234,000	3.40	30,000	264,000
2022	2.15	240,000	3.40	30,000	270,000
2023	2.15	99,000	3.75	35,000	134,000
2024	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
		$1,549,000		$255,000	1,804,000

Year Ending June 30,	Urban Renewal Tax Increment Revenue Bonds Issued December 30, 2010 Interest Rates	Amount
2018	5.375%	$ 51,000
2019	5.375	62,000
2020	5.375	30,000
2021	-	-
2022	-	-
2023	-	-
2024	-	-
2025	-	-
2026	-	-
2027	-	-
2028	-	-
2029	-	-
2030	-	-
2031	-	-
2032	-	-
2033	-	-
2034	-	-
2035	-	-
2036	-	-
Total		$ 143,000

Year Ending June 30,	Revenue Bonds Sewer Revenue Series 2008 Issued December 30, 2010 Interest Rates	Amount	Series 2016 Issued November 18, 2016 Interest Rates	Amount	Total
2018	3.00%	$ 33,000	1.75%	19,261	52,261
2019	3.00	34,000	1.75	24,000	58,000
2020	3.00	35,000	1.75	24,000	59,000
2021	3.00	36,000	1.75	25,000	61,000
2022	3.00	37,000	1.75	25,000	62,000
2023	3.00	38,000	1.75	26,000	64,000
2024	3.00	40,000	1.75	27,000	67,000
2025	3.00	41,000	1.75	27,000	68,000
2026	3.00	42,000	1.75	28,000	70,000
2027	3.00	43,000	1.75	28,000	71,000
2028	3.00	44,000	1.75	29,000	73,000
2029	-	-	1.75	29,000	29,000
2030	-	-	1.75	30,000	30,000
2031	-	-	1.75	30,000	30,000
2032	-	-	1.75	31,000	31,000
2033	-	-	1.75	32,000	32,000
2034	-	-	1.75	32,000	32,000
2035	-	-	1.75	33,000	33,000
2036	-	-	1.75	34,000	34,000
		$423,000		$533,261	956,261

See Accompanying Independent Auditor's Report

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

	2017	2016	2015	2014
Receipts:				
Property Tax	$ 1,269,677	1,176,699	1,179,971	1,133,058
Tax Increment Financing	258,243	284,405	272,368	265,736
Other City Tax	260,934	221,259	237,663	207,096
License and Permits	51,865	15,852	6,831	6,112
Use of Money and Property	107,242	97,730	45,428	45,742
Intergovernmental	458,338	415,769	344,764	353,476
Charges for Service	42,600	109,442	88,640	97,096
Special Assessments	-	-	529	-
Miscellaneous	155,687	177,025	119,739	129,522
Total	$ 2,604,586	2,498,181	2,295,933	2,237,838
Disbursements:				
Operating:				
Public Safety	$ 482,895	474,553	412,042	396,734
Public Works	562,010	546,293	398,972	418,222
Health and Social Services	1,355	1,120	2,125	1,440
Culture and Recreation	413,471	396,786	437,465	393,896
Community and Economic Development	61,112	112,627	64,336	68,214
General Government	363,274	384,597	229,018	248,921
Debt Service	436,575	433,899	487,400	464,916
Capital Projects	676,276	24,160	503,395	235,528
Total	$ 2,996,968	2,374,035	2,534,753	2,227,871

See Accompanying Independent Auditor's Report.

Schedule 5

Unaudited					
2013	2012	2011	2010	2009	2008
1,130,400	1,061,098	1,054,786	986,636	980,859	846,224
235,154	193,165	165,119	140,400	176,200	134,272
203,273	212,264	201,233	182,004	192,884	177,878
5,150	7,458	6,309	6,410	5,802	5,066
52,389	58,075	28,188	31,181	36,017	105,295
291,317	306,946	282,953	278,781	398,665	298,492
112,683	136,366	130,002	121,056	124,985	60,213
-	25,000	2,962	3,170	7,550	4,995
114,955	131,488	254,532	174,633	275,903	342,221
2,145,321	2,131,860	2,126,084	1,924,271	2,198,865	1,974,656
349,363	350,478	342,692	357,985	314,050	285,389
448,640	456,596	420,649	478,164	549,860	463,046
2,320	2,320	2,320	1,820	1,820	4,520
376,270	401,495	412,746	401,056	345,664	303,227
136,969	190,023	52,311	68,166	73,997	149,609
218,402	215,398	208,024	198,727	200,029	185,502
408,264	391,706	352,635	344,954	380,580	173,397
293,684	151,795	418,241	51,256	392,654	2,983,860
2,233,912	2,159,811	2,209,618	1,902,128	2,258,654	4,548,550

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

To the Honorable Mayor and
Members of the City Council:

We have audited 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, 2017, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 29, 2017. 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 auditor's testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Grundy Center's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying Schedule of Findings as item A to be a material weakness.

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.

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, 2017 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 PC

Dennis P. Donovan, PC

Charles City, Iowa

November 29, 2017

City of Grundy Center

City of Grundy Center
Grundy Center, Iowa

Schedule of Findings

Year Ended June 30, 2017

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

A. Segregation of Duties

Criteria– Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – One individual in the City has control over the cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of preforming their assigned functions.

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response– We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, the cash receipts listing, depositing and posting duties will be separated and spread among the employees.

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, 2017 did not exceed the amounts budgeted in any function.

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, were noted.

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

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

Name, Title, and Business Connection	Transaction Description	Amount
Dave Stefl, Council Member, Owner of Manly Drug	Medical Supplies for Ambulance	$ 1,801

The transactions in excess of $1,500 with Dave Stefl do not appear to represent conflicts of interest since the duties of his office do not directly involve procurement of the services in accordance with Chapter 362.5 of the Code of Iowa.

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.

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 in compliance with the provisions of the Sewer Revenue Bond.

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.

10. Excess Fund Balance – The ending fund balances of the Road Use Tax, Continuing Projects and 10 of the nonmajor Special Revenue and Capital Projects funds were in excess of disbursements for the current year. The ending fund balances of Enterprise, Storm Sewer and 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.

11. Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.