



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

**NEWS RELEASE**

Contact: Andy Nielsen  
515/281-5834

FOR RELEASE \_\_\_\_\_ December 22, 2003 \_\_\_\_\_

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

The City's receipts totaled \$5,484,152 for the year ended June 30, 2003, a 15 percent increase from 2002. The receipts included \$1,950,430 in property tax, \$339,941 from tax increment financing collections, \$572,297 from other governments and \$47,758 in interest on investments. The significant increase in receipts is due to increases in property tax collections and charges for service.

Disbursements for the year totaled \$7,286,872, a 22 percent decrease from 2002, and included \$2,601,271 for capital projects, \$1,753,347 for business type activities and \$873,301 for public works. The significant decrease in disbursements was due primarily to the completion of a water capital improvement project in the prior year.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.

###



**CITY OF GRIMES**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2003**

## Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Financial Statements:	<u>Exhibit</u>	
Combined Statement of Cash Transactions – All Fund Types	A	8-9
Comparison of Receipts, Disbursements and Changes in Balances – Actual to Budget	B	10-11
Statement of Indebtedness	C	12-13
Notes to Financial Statements		14-20
Supplemental Information:	<u>Schedule</u>	
Combining and Individual Schedules of Cash Transactions:		
General Fund	1	22-29
Special Revenue Funds	2	30-31
Debt Service Fund	3	32-33
Capital Projects Funds	4	34-35
Enterprise Funds	5	36-39
Trust Funds	6	40-41
Bond Maturities	7	42-43
Comparison of Tax and Intergovernmental Receipts	8	44
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		47-48
Schedule of Findings		47-51
Staff		52

**City of Grimes**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tom Armstrong	Mayor	Jan 2006
Steve Fairbanks	Mayor Pro tem	Jan 2004
Ron Rosenberg	Council Member	Jan 2004
Michael Grove	Council Member	Jan 2006
Ron Long	Council Member	Jan 2006
Mike Martin	Council Member	Jan 2006
Kelley Brown	Administrator	Indefinite
Susan Lemon	Clerk	Indefinite
Barbara Alexander	Treasurer	Indefinite
Tom Henderson	Attorney	Indefinite

**City of Grimes**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the City of Grimes, Iowa, as of and for the year ended June 30, 2003. These financial statements are the responsibility of the City of Grimes' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

As discussed in note 12, the City of Grimes intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, for the year ending June 30, 2004. The effects of these statements are expected to significantly impact the presentation of the City's financial statements and related notes in the year of implementation. The revised requirements include an analytical overview of the City's financial activities in the Management's Discussion and Analysis introduction to the financial statements.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the results of the cash transactions of the funds of the City of Grimes as of and for the year ended June 30, 2003, and its indebtedness at June 30, 2003, on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our reports dated November 13, 2003 on our consideration of the City of Grimes' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2002 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 13, 2003

## **Financial Statements**

City of Grimes  
 Combined Statement of Cash Transactions  
 All Fund Types  
 Year ended June 30, 2003

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Receipts:			
Property tax	\$ 1,278,728	237,730	433,972
Tax increment financing collections	-	339,941	-
Other city tax	55,461	6,821	11,629
Licenses and permits	181,354	-	-
Use of money and property	48,075	3,312	21
Intergovernmental	88,122	477,773	-
Charges for service	118,126	-	-
Miscellaneous	24,119	-	-
Total receipts	<u>1,793,985</u>	<u>1,065,577</u>	<u>445,622</u>
Disbursements:			
Public safety	545,976	20,211	-
Public works	715,518	157,783	-
Health and social services	-	42,250	-
Culture and recreation	355,743	-	-
Community and economic development	37,318	-	-
General government	338,916	-	-
Debt service	-	16,137	670,055
Capital projects	-	-	-
Business type activities	-	-	-
Total disbursements	<u>1,993,471</u>	<u>236,381</u>	<u>670,055</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(199,486)</u>	<u>829,196</u>	<u>(224,433)</u>
Other financing sources (uses):			
Sale of general fixed assets	6,091	-	-
Water revenue bond proceeds	-	-	-
General obligation corporate purpose bond proceeds (net of \$18,008 discount)	125,000	-	-
General obligaton refunding bond proceeds (net of \$29,257 discount)	-	-	1,925,743
Payment to paying agent for current refunding	-	-	(355,000)
Payment to refunded bond escrow agent	-	-	(1,570,743)
Operating transfers in	166,223	2,275	238,303
Operating transfers out	(40,795)	(491,006)	-
Total other financing sources (uses)	<u>256,519</u>	<u>(488,731)</u>	<u>238,303</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	57,033	340,465	13,870
Balance beginning of year	<u>786,633</u>	<u>779,582</u>	<u>22,145</u>
Balance end of year	<u>\$ 843,666</u>	<u>1,120,047</u>	<u>36,015</u>

See notes to financial statements.

Capital Projects	Proprietary Fund Type Enterprise	Fiduciary Fund Type Trust	Total (Memorandum Only)
-	-	-	1,950,430
-	-	-	339,941
-	-	-	73,911
-	-	-	181,354
-	250	-	51,658
-	-	6,402	572,297
-	1,836,943	-	1,955,069
237,808	80,795	16,770	359,492
237,808	1,917,988	23,172	5,484,152
-	-	-	566,187
-	-	-	873,301
-	-	-	42,250
-	-	32,347	388,090
-	-	-	37,318
-	-	-	338,916
-	-	-	686,192
2,601,271	-	-	2,601,271
-	1,753,347	-	1,753,347
2,601,271	1,753,347	32,347	7,286,872
(2,363,463)	164,641	(9,175)	(1,802,720)
-	-	-	6,091
293,179	-	-	293,179
2,506,992	-	-	2,631,992
-	-	-	1,925,743
-	-	-	(355,000)
-	-	-	(1,570,743)
125,000	834,343	-	1,366,144
-	(834,343)	-	(1,366,144)
2,925,171	-	-	2,931,262
561,708	164,641	(9,175)	1,128,542
1,735,269	913,706	37,613	4,274,948
2,296,977	1,078,347	28,438	5,403,490

City of Grimes

Comparison of Receipts, Disbursements and Changes in Balances -

Actual to Budget

Year ended June 30, 2003

	Actual	Amended Budget
Receipts:		
Property tax	\$ 1,950,430	1,935,989
Tax increment financing collections	339,941	352,283
Other city tax	73,911	90,562
Licenses and permits	181,354	145,900
Use of money and property	51,658	76,030
Intergovernmental	572,297	539,504
Charges for service	1,955,069	1,898,556
Miscellaneous	359,492	37,559
Total receipts	<u>5,484,152</u>	<u>5,076,383</u>
Disbursements:		
Public safety	566,187	817,267
Public works	873,301	1,136,733
Health and social services	42,250	39,000
Culture and recreation	388,090	419,921
Community and economic development	37,318	37,500
General government	338,916	340,566
Debt service	686,192	669,842
Capital projects	2,601,271	3,913,620
Business type activities	1,753,347	1,771,385
Total disbursements	<u>7,286,872</u>	<u>9,145,834</u>
Deficiency of receipts under disbursements	(1,802,720)	(4,069,451)
Other financing sources, net	<u>2,931,262</u>	<u>2,908,620</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,128,542	(1,160,831)
Balance beginning of year	<u>4,274,948</u>	<u>2,998,911</u>
Balance end of year	<u>\$ 5,403,490</u>	<u>1,838,080</u>

See notes to financial statements.

<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>	<u>Net as</u> <u>% of</u> <u>Amended</u> <u>Budget</u>
14,441	101%
(12,342)	96%
(16,651)	82%
35,454	124%
(24,372)	68%
32,793	106%
56,513	103%
321,933	957%
<u>407,769</u>	<u>108%</u>
251,080	69%
263,432	77%
(3,250)	108%
31,831	92%
182	100%
1,650	100%
(16,350)	102%
1,312,349	66%
18,038	99%
<u>1,858,962</u>	<u>80%</u>

City of Grimes  
Statement of Indebtedness  
Year ended June 30, 2003

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Sewer improvement	May 1, 1991	6.25-7.00%	\$ 410,000
Library	Jun 1, 1993	4.00-6.00	550,000
Essential corporate purpose	Oct 1, 1994	4.75-6.05	1,675,000
Corporate purpose	Jan 1, 1999	3.40-4.00	900,000
Corporate purpose	Jan 1, 2002	4.00-4.70	3,200,000
Corporate purpose	Mar 1, 2003	2.00-4.00	2,650,000
Refunding	May 29, 2003	1.30-3.20	1,955,000
Total			
Revenue bonds:			
Water	Dec 19, 2000	3.53-3.84%	\$ 5,989,000
Sewer	Dec 19, 2000	4.30	5,372,000
Total			
Lease-purchase agreements:			
Fire truck	Dec 15, 2000	6.09%	\$ 111,500
Truck and snow plow	Oct 17, 2002	5.64%	72,178
Total			

See notes to financial statements.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
155,000	-	155,000	-	10,806
275,000	-	275,000	-	13,060
1,120,000	-	1,120,000	-	65,098
570,000	-	570,000	-	22,405
2,860,000	-	160,000	2,700,000	123,608
-	2,650,000	-	2,650,000	-
-	1,955,000	-	1,955,000	-
<b>\$ 4,980,000</b>	<b>4,605,000</b>	<b>2,280,000</b>	<b>7,305,000</b>	<b>234,977</b>
5,379,529	293,179	218,000	5,454,708	198,709
5,193,637	-	182,000	5,011,637	223,326
<b>\$ 10,573,166</b>	<b>293,179</b>	<b>400,000</b>	<b>10,466,345</b>	<b>422,035</b>
100,271	-	11,913	88,358	6,107
-	72,178	15,798	56,380	339
<b>\$ 100,271</b>	<b>72,178</b>	<b>27,711</b>	<b>144,738</b>	<b>6,446</b>

City of Grimes

Notes to Financial Statements

June 30, 2003

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

The City of Grimes is a political subdivision of the State of Iowa located in Polk County. It was first incorporated in 1904 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, general government and business type activities.

A. Reporting Entity

For financial reporting purposes the City of Grimes has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Grimes has no component units required to be reported in accordance with the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

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

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

B. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and balances. The various funds and their designated purposes are as follows:

## Governmental Funds

General Fund – The General Fund is the general operating fund of the City. All general tax receipts and other receipts that are 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 that are not paid through other funds.

Special Revenue Funds – The Special Revenue Funds are utilized to account for receipts derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

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

Capital Projects Funds – The Capital Projects Funds are utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through Enterprise Funds.

## Proprietary Fund

Enterprise Funds – The Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

## Fiduciary Fund

Trust Funds – The Trust Funds are used to account for monies and properties received and held by the City in a trustee capacity. These include Expendable Trust Funds.

### C. Basis of Accounting

The City of Grimes 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.

### D. Budgets and Budgetary Accounting

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 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.

E. Total (Memorandum Only)

The total column on the combined statement of cash transactions is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2003 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.

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$7,659 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

**(3) Long-Term Debt**

Bonds Payable

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

Year Ending June 30,	General Obligation Bonds		Total
	Principal	Interest	
2004	\$ 600,000	264,793	864,793
2005	645,000	230,215	875,215
2006	650,000	215,400	865,400
2007	675,000	202,225	877,225
2008	700,000	180,630	880,630
2009	545,000	159,515	704,515
2010	470,000	140,918	610,918
2011	385,000	123,540	508,540
2012	400,000	108,525	508,525
2013	415,000	92,635	507,635
2014	435,000	75,810	510,810
2015	450,000	57,750	507,750
2016	480,000	38,600	518,600
2017	225,000	17,975	242,975
2018	230,000	9,200	239,200
Total	\$ 7,305,000	1,917,731	9,222,731

### Water and Sewer Revenue Bonds

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

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

During the three years ended June 30, 2003, the City requested \$11,251,345 of the \$11,348,000 authorized. Wells Fargo Iowa, N.A., has the remaining \$96,655 held in trust which the City will request as the project progresses. Since the City is still drawing funds on the water and sewer revenue bonds with a June 30, 2003 balance of \$10,466,345, a formal repayment schedule has not yet been adopted for that debt.

### Refund of General Obligation Bonds

In May, 2003, the City issued \$1,955,000 of general obligation refunding bonds with interest rates ranging from 1.30% to 3.20%.

The City refunded \$120,000 outstanding general obligation sewer improvement bonds, dated May 1, 1991, with interest rates ranging from 6.25% to 7.00%, and \$235,000 of general obligation library bonds, dated June 1, 1993, with interest rates ranging from 4.00% to 6.00%.

The City also entered into an irrevocable escrow agreement with First American Bank and deposited cash sufficient to retire the 1994 general obligation essential corporate purpose bonds totaling \$1,025,000 and the 1999 general obligation corporate purpose bonds totaling \$485,000 when the call provision is effective on June 1, 2004. The cash deposited with the escrow agent, other than amounts required to be retained in cash, was invested in direct obligations of the United States of America which are to mature in principal amounts and bear interest at such times so that sufficient monies will be available from such maturing principal and interest to pay the principal and interest then due on the 1994 and 1999 general obligation bonds with call dates of June 1, 2004.

The City refunded the bonds to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$113,800.

### Lease-Purchase Agreements

The City has entered into lease-purchase agreements to lease a fire truck and a truck and snow plow. The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreements in effect at June 30, 2003:

Year Ending June 30,	Fire Truck	Truck and Snow Plow	Total
2004	\$ 18,020	16,137	34,157
2005	18,020	16,137	34,157
2006	18,020	16,137	34,157
2007	18,020	16,137	34,157
2008	18,020	-	18,020
2009	18,020	-	18,020
Total minimum lease payments	108,120	64,548	172,668
Less amount representing interest	(19,762)	(8,168)	(27,930)
Present value of net minimum lease payments	<u>\$ 88,358</u>	<u>56,380</u>	<u>144,738</u>

Payments under the agreements for the year ended June 30, 2003 totaled \$34,157.

**(4) Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2003, 2002 and 2001 were \$26,849, \$24,811, and \$19,482, respectively, equal to the required contributions for each year.

**(5) 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. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory termination payments payable to employees at June 30, 2003, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 26,600
Compensatory time	<u>5,900</u>
Total	<u>\$ 32,500</u>

This liability has been computed based on rates of pay in effect at June 30, 2003.

**(6) Risk Management**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 400 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2003 were \$80,390.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2003, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

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

**(7) Economic Development Loan Agreement**

In a prior year, the City loaned Collective Investment Management, LTD of West Des Moines, Iowa \$50,000 for infrastructure improvements. Interest on the loan is 3% per year and is payable each year. Principal is due in full on January 27, 2005.

**(8) Construction Commitments**

The City has entered into construction contracts totaling approximately \$1,740,000. As of June 30, 2003, costs of approximately \$842,400 had been paid on the contracts. The remaining \$897,600 will be paid as work on these projects progresses.

**(9) Subsequent Event**

In July, 2003, the City entered into a contract totaling \$85,474 for a sports complex parking and pathway lighting project.

**(10) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the function level. During the year ended June 30, 2003, disbursements in the health and social services and debt service functions exceeded the amounts budgeted.

**(11) Deficit Balance**

The Enterprise, Solid Waste Fund had a deficit balance of \$4,835 at June 30, 2003. The deficit will be eliminated through subsequent year receipts.

**(12) Restatement**

The July 1, 2002 balances of the Expendable Trust, Library Books and Library Furnishings Funds of \$1,017 and \$8,730, respectively, were combined into one fund, the Expendable Trust, Library Fund, with a balance of \$9,747.

**(13) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the year ending June 30, 2004. The effects are expected to significantly impact the presentation of governmental financial statements in the year of implementation. The revised minimum reporting requirements include Management’s Discussion and Analysis to introduce the financial statements and to provide an analytical overview of the City’s financial activities.

**City of Grimes**

## **Supplemental Information**

City of Grimes  
Combining Schedule of Cash Transactions  
General Fund  
Year ended June 30, 2003

	General	Insurance	Cemetery
<b>Receipts:</b>			
Property tax	\$ 1,219,690	59,038	-
<b>Other city tax:</b>			
Mobile home tax	14,614	-	-
Utility tax replacement excise tax	34,937	1,686	-
Cable franchise fees	4,224	-	-
	<u>53,775</u>	<u>1,686</u>	<u>-</u>
Licenses and permits	181,354	-	-
<b>Use of money and property:</b>			
Interest on investments	42,556	-	1,619
Rent	3,900	-	-
	<u>46,456</u>	<u>-</u>	<u>1,619</u>
<b>Intergovernmental:</b>			
State allocation	49,416	-	-
Bank franchise tax	6,901	-	-
County library contribution	27,905	-	-
Fire agreements	-	-	-
	<u>84,222</u>	<u>-</u>	<u>-</u>
<b>Charges for service:</b>			
Library fees	8,097	-	-
Ambulance charges	35,015	-	-
Building development fees	63,014	-	-
	<u>106,126</u>	<u>-</u>	<u>-</u>
<b>Miscellaneous:</b>			
Fines and fees	375	-	-
Lot sales	-	-	3,770
Contributions	3,367	-	-
Miscellaneous	16,607	-	-
	<u>20,349</u>	<u>-</u>	<u>3,770</u>
Total receipts	<u>1,711,972</u>	<u>60,724</u>	<u>5,389</u>

Rescue Capital Improvement	Park Capital Improvement	Fire Capital Improvement	Total
-	-	-	1,278,728
-	-	-	14,614
-	-	-	36,623
-	-	-	4,224
-	-	-	55,461
-	-	-	181,354
-	-	-	44,175
-	-	-	3,900
-	-	-	48,075
-	-	-	49,416
-	-	-	6,901
-	-	-	27,905
-	-	3,900	3,900
-	-	3,900	88,122
-	-	-	8,097
-	-	-	35,015
-	12,000	-	75,014
-	12,000	-	118,126
-	-	-	375
-	-	-	3,770
-	-	-	3,367
-	-	-	16,607
-	-	-	24,119
-	12,000	3,900	1,793,985

City of Grimes  
Combining Schedule of Cash Transactions  
General Fund  
Year ended June 30, 2003

	General	Insurance	Cemetery
Disbursements:			
Public safety:			
Police:			
Personal services	6,667	-	-
Services and commodities	267,819	-	-
	<u>274,486</u>	-	-
Fire and rescue:			
Personal services	53,042	-	-
Services and commodities	85,958	-	-
Capital outlay	-	-	-
	<u>139,000</u>	-	-
Animal control:			
Services and commodities	3,785	-	-
	<u>417,271</u>	-	-
Public works:			
Roads, bridges and sidewalks:			
Personal services	318,366	-	-
Services and commodities	350,335	-	-
	<u>668,701</u>	-	-
Street lighting:			
Services and commodities	46,817	-	-
	<u>715,518</u>	-	-
Culture and recreation:			
Library:			
Personal services	134,378	-	-
Services and commodities	72,895	-	-
	<u>207,273</u>	-	-

Rescue Capital Improvement	Park Capital Improvement	Fire Capital Improvement	Total
-	-	-	6,667
-	-	-	267,819
-	-	-	274,486
-	-	-	53,042
-	-	-	85,958
-	-	128,705	128,705
-	-	128,705	267,705
-	-	-	3,785
-	-	128,705	545,976
-	-	-	318,366
-	-	-	350,335
-	-	-	668,701
-	-	-	46,817
-	-	-	715,518
-	-	-	134,378
-	-	-	72,895
-	-	-	207,273

City of Grimes  
Combining Schedule of Cash Transactions  
General Fund  
Year ended June 30, 2003

	General	Insurance	Cemetery
Disbursements (continued):			
Culture and recreation:			
Parks:			
Personal services	24,111	-	-
Services and commodities	89,728	-	-
	113,839	-	-
Cemetery:			
Personal services	2,900	-	-
Services and commodities	28,381	-	-
Capital outlay	3,350	-	-
	34,631	-	-
	355,743	-	-
Community and economic development:			
Economic development:			
Services and commodities	37,318	-	-
	37,318	-	-
General government:			
General administration:			
Services and commodities	-	68,521	-
	-	68,521	-
Legal services:			
Services and commodities	31,386	-	-
	31,386	-	-
City hall and general buildings:			
Personal services	145,510	-	-
Services and commodities	93,499	-	-
	239,009	-	-
	270,395	68,521	-
Total disbursements	1,796,245	68,521	-
Excess (deficiency) of receipts over (under) disbursements	(84,273)	(7,797)	5,389

Rescue Capital Improvement	Park Capital Improvement	Fire Capital Improvement	Total
-	-	-	24,111
-	-	-	89,728
-	-	-	113,839
-	-	-	2,900
-	-	-	28,381
-	-	-	3,350
-	-	-	34,631
-	-	-	355,743
-	-	-	37,318
-	-	-	68,521
-	-	-	31,386
-	-	-	145,510
-	-	-	93,499
-	-	-	239,009
-	-	-	338,916
-	-	128,705	1,993,471
-	12,000	(124,805)	(199,486)

City of Grimes  
Combining Schedule of Cash Transactions  
General Fund  
Year ended June 30, 2003

	General	Insurance	Cemetery
Other financing sources (uses):			
Sale of general fixed assets	6,091	-	-
General obligation corporate purpose bond proceeds	-	-	-
Operating transfers in (out):			
General:			
General	-	-	-
Fire Capital Improvement	(12,500)	-	-
Special Revenue:			
Employee Benefits	145,723	-	-
Fire Department FEMA Grant	(2,275)	-	-
Emergency	-	8000	-
Debt Service	(8,000)	-	-
Total other financing sources (uses)	129,039	8,000	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	44,766	203	5,389
Balance beginning of year	580,047	2,152	91,030
Balance end of year	\$ 624,813	2,355	96,419

See accompanying independent auditor's report.

Rescue Capital Improvement	Park Capital Improvement	Fire Capital Improvement	Total
-	-	-	6,091
-	-	125,000	125,000
-	-	12,500	12,500
-	-	-	(12,500)
-	-	-	145,723
-	-	-	(2,275)
-	-	-	8,000
-	-	(18,020)	(26,020)
-	-	119,480	256,519
-	12,000	(5,325)	57,033
7,880	75,632	29,892	786,633
7,880	87,632	24,567	843,666

City of Grimes  
Combining Schedule of Cash Transactions  
Special Revenue Funds  
Year ended June 30, 2003

	Road Use Tax	Tax Increment Financing	Employee Benefits
Receipts:			
Property tax	\$ -	-	197,170
Tax increment financing collections	-	339,941	-
Other city tax:			
Utility tax replacement excise tax	-	-	5,656
Use of money and property:			
Interest on investments	-	-	-
Intergovernmental:			
Road use tax allocation	415,044	-	-
Governor's Alliance on Substance Abuse grant	-	-	-
Federal Emergency Management Agency grant	-	-	-
	415,044	-	-
Total receipts	415,044	339,941	202,826
Disbursements:			
Public safety:			
Fire department:			
Services and commodities	-	-	-
Public works:			
Roads, bridges and sidewalks:			
Services and commodities	157,783	-	-
Health and social services			
Other health and social services			
Services and commodities	-	-	-
Debt service:			
Principal redeemed	15,798	-	-
Interest paid	339	-	-
	16,137	-	-
Total disbursements	173,920	-	-

Emergency	Economic Development Revolving Loans	Metro West Grant	Fire Department FEMA Grant	Total
40,560	-	-	-	237,730
-	-	-	-	339,941
1,165	-	-	-	6,821
-	3,312	-	-	3,312
-	-	-	-	415,044
-	-	42,250	-	42,250
-	-	-	20,479	20,479
-	-	42,250	20,479	477,773
41,725	3,312	42,250	20,479	1,065,577
-	-	-	20,211	20,211
-	-	-	-	157,783
-	-	42,250	-	42,250
-	-	-	-	15,798
-	-	-	-	339
-	-	-	-	16,137
-	-	42,250	20,211	236,381

City of Grimes  
Combining Schedule of Cash Transactions  
Special Revenue Funds  
Year ended June 30, 2003

	Road Use Tax	Tax Increment Financing	Employee Benefits
Excess of receipts over disbursements	241,124	339,941	202,826
Other financing sources (uses):			
Operating transfers in (out):			
General:			
General	-	-	(145,723)
Insurance	-	-	-
Debt Service	-	(212,283)	-
Capital Projects:			
Sports Complex	-	(125,000)	-
Total other financing sources (uses)	-	(337,283)	(145,723)
Excess of receipts and other financing sources over disbursements and other financing uses	241,124	2,658	57,103
Balance beginning of year	496,528	94	43,854
Balance end of year	\$ 737,652	2,752	100,957

See accompanying independent auditor's report.

Emergency	Economic Development Revolving Loans	Metro West Grant	Fire Department FEMA Grant	Total
41,725	3,312	-	268	829,196
-	-	-	2,275	(143,448)
(8,000)	-	-	-	(8,000)
-	-	-	-	(212,283)
-	-	-	-	(125,000)
(8,000)	-	-	2,275	(488,731)
33,725	3,312	-	2,543	340,465
42,469	196,637	-	-	779,582
76,194	199,949	-	2,543	1,120,047

**City of Grimes**

City of Grimes  
Schedule of Cash Transactions  
Debt Service Fund  
Year ended June 30, 2003

Receipts:	
Property tax	\$ 433,972
Other city tax:	
Utility tax replacement excise tax	11,629
Use of money and property:	
Interest on investments	21
Total receipts	<u>445,622</u>
Disbursements:	
Debt service:	
Principal redeemed	426,913
Interest paid	241,084
Miscellaneous	2,058
Total disbursements	<u>670,055</u>
Deficiency of receipts under disbursements	<u>(224,433)</u>
Other financing sources (uses):	
General obligaton refunding bond proceeds (net of \$29,257 discount)	1,925,743
Payment to paying agent for current refunding	(355,000)
Payment to refunded bond escrow agent	(1,570,743)
Operating transfers in:	
General:	
General	8,000
Fire Capital Improvement	18,020
Special Revenue:	
Tax Increment Financing	212,283
Total other financing sources (uses)	<u>238,303</u>
Excess of receipts and other financing sources over disbursements and other financing uses	13,870
Balance beginning of year	<u>22,145</u>
Balance end of year	<u>\$ 36,015</u>

See accompanying independent auditor's report.

City of Grimes  
Combining Schedule of Cash Transactions  
Capital Projects Funds  
Year ended June 30, 2003

	Sewer Capital Improvement	Northwest Utility Extension	Water Capital Improvement
Receipts:			
Miscellaneous:			
Sales tax refund	\$ 8,456	-	-
Other refunds	20,350	-	180,053
Total receipts	<u>28,806</u>	-	<u>180,053</u>
Disbursements:			
Capital projects:			
Capital outlay	69,852	-	127,049
Excess (deficiency) of receipts over (under) disbursements	<u>(41,046)</u>	-	<u>53,004</u>
Other financing sources:			
Water revenue bond proceeds	-	-	293,179
General obligation corporate purpose bond proceeds (net of \$18,008 discount)	-	-	-
Operating transfers in (out):			
Special Revenue:			
Tax Increment Financing	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>293,179</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements	<u>(41,046)</u>	-	<u>346,183</u>
Balance beginning of year	<u>145,941</u>	<u>15,321</u>	<u>925</u>
Balance end of year	<u>\$ 104,895</u>	<u>15,321</u>	<u>347,108</u>

See accompanying independent auditor's report.

Sports Complex	Capitol City Sewer	James Street Improvement	Beaverbrook West Sewer Extension	Total
-	-	-	-	8,456
7,074	-	19,278	2,597	229,352
7,074	-	19,278	2,597	237,808
310,210	971,705	1,114,127	8,328	2,601,271
(303,136)	(971,705)	(1,094,849)	(5,731)	(2,363,463)
-	-	-	-	293,179
1,038,620	-	1,101,500	366,872	2,506,992
125,000	-	-	-	125,000
1,163,620	-	1,101,500	366,872	2,925,171
860,484	(971,705)	6,651	361,141	561,708
18	1,573,064	-	-	1,735,269
860,502	601,359	6,651	361,141	2,296,977

City of Grimes  
Combining Schedule of Cash Transactions  
Enterprise Funds  
Year ended June 30, 2003

	Water Operations	Water Tapping	Water Revenue Bond Sinking
<b>Receipts:</b>			
Use of money and property:			
Interest on investments	\$ -	250	-
<b>Charges for service:</b>			
Sale of water	875,112	-	-
Meter rental fees	32,072	-	-
Building usage fees	8,960	-	-
Tapping fees	-	16,975	-
Sewer rental fees	-	-	-
Solid waste fees	-	-	-
	<u>916,144</u>	<u>16,975</u>	<u>-</u>
<b>Miscellaneous:</b>			
Sales tax collected	50,163	-	-
Customer deposits	-	-	-
Miscellaneous	23,221	-	-
	<u>73,384</u>	<u>-</u>	<u>-</u>
Total receipts	<u>989,528</u>	<u>17,225</u>	<u>-</u>
<b>Disbursements:</b>			
Business type activities:			
Personal services	17,017	-	-
Services and commodities	492,964	-	-
Debt service:			
Principal redeemed	-	-	218,000
Interest paid	-	-	198,709
Miscellaneous	-	-	2,883
Total disbursements	<u>509,981</u>	<u>-</u>	<u>419,592</u>

Sewer Operations	Sewer Tapping	Sewer Revenue Bond Sinking	Solid Waste	Meter Deposits	Total
-	-	-	-	-	250
-	-	-	-	-	875,112
-	-	-	-	-	32,072
-	-	-	-	-	8,960
-	72,875	-	-	-	89,850
692,670	-	-	-	-	692,670
-	-	-	138,279	-	138,279
692,670	72,875	-	138,279	-	1,836,943
-	-	-	-	-	50,163
-	-	-	-	3,380	3,380
4,031	-	-	-	-	27,252
4,031	-	-	-	3,380	80,795
696,701	72,875	-	138,279	3,380	1,917,988
3,462	-	-	-	-	20,479
265,600	-	-	145,981	805	905,350
-	-	182,000	-	-	400,000
-	-	223,326	-	-	422,035
-	-	2,600	-	-	5,483
269,062	-	407,926	145,981	805	1,753,347

City of Grimes  
Combining Schedule of Cash Transactions  
Enterprise Funds  
Year ended June 30, 2003

	Water Operations	Water Tapping	Water Revenue Bond Sinking
Excess (deficiency) of receipts over (under) disbursements	479,547	17,225	(419,592)
Other financing sources (uses):			
Operating transfers in (out):			
Enterprise:			
Water Operations	-	-	426,273
Water Revenue Bond Sinking	(426,273)	-	-
Sewer Operations	-	-	-
Sewer Revenue Bond Sinking	-	-	-
Total other financing sources (uses)	(426,273)	-	426,273
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	53,274	17,225	6,681
Balance beginning of year	332,790	49,099	50,035
Balance end of year	\$ 386,064	66,324	56,716

See accompanying independent auditor's report.

Sewer Operations	Sewer Tapping	Sewer Revenue Bond Sinking	Solid Waste	Meter Deposits	Total
427,639	72,875	(407,926)	(7,702)	2,575	164,641
-	-	-	-	-	426,273
-	-	-	-	-	(426,273)
-	-	408,070	-	-	408,070
(408,070)	-	-	-	-	(408,070)
(408,070)	-	408,070	-	-	-
19,569	72,875	144	(7,702)	2,575	164,641
370,363	94,612	324	2,867	13,616	913,706
389,932	167,487	468	(4,835)	16,191	1,078,347

**Schedule 6**

City of Grimes  
Combining Schedule of Cash Transactions  
Trust Funds  
Year ended June 30, 2003

	Expendable Trusts			Total
	Park and Recreation	Library	Rolow Memorial	
Receipts:				
Intergovernmental:				
Library open access	\$ -	1,743	-	1,743
Enrich Iowa program	-	4,659	-	4,659
	-	6,402	-	6,402
Miscellaneous:				
Donations	120	-	10,183	10,303
Miscellaneous	-	6,467	-	6,467
	120	6,467	10,183	16,770
Total receipts	120	12,869	10,183	23,172
Disbursements:				
Culture and recreation:				
Library services:				
Services and commodities	-	7,637	-	7,637
Parks:				
Services and commodities	-	-	24,710	24,710
	-	7,637	24,710	32,347
Excess (deficiency) of receipts over (under) disbursements	120	5,232	(14,527)	(9,175)
Balance beginning of year, as restated (note 12)	13,025	9,747	14,841	37,613
Balance end of year	\$ 13,145	14,979	314	28,438

See accompanying independent auditor's report.

City of Grimes  
Bond Maturities  
June 30, 2003

Year Ending June 30,	General Obligation Bonds							
	Corporate Purpose Issued Jan 1, 2002		Corporate Purpose Issued Mar 1, 2003		Refunding Issued May 29, 2003		Total	
	Interest		Interest		Interest			
	Rates	Amount	Rates	Amount	Rates	Amount		
2004	4.00%	\$ 165,000	2.00%	\$ 115,000	1.30%	\$ 320,000		\$ 600,000
2005	4.00	170,000	2.00	145,000	1.55	330,000	645,000	
2006	4.00	175,000	2.00	150,000	1.90	325,000	650,000	
2007	4.00	185,000	2.25	150,000	2.30	340,000	675,000	
2008	4.10	190,000	2.75	160,000	2.55	350,000	700,000	
2009	4.25	195,000	3.00	160,000	2.90	190,000	545,000	
2010	4.30	205,000	3.25	165,000	3.20	100,000	470,000	
2011	4.40	210,000	3.30	175,000	-	-	385,000	
2012	4.40	220,000	3.45	180,000	-	-	400,000	
2013	4.50	230,000	3.50	185,000	-	-	415,000	
2014	4.60	240,000	3.60	195,000	-	-	435,000	
2015	4.70	250,000	3.70	200,000	-	-	450,000	
2016	4.70	265,000	3.80	215,000	-	-	480,000	
2017	-	-	3.90	225,000	-	-	225,000	
2018	-	-	4.00	230,000	-	-	230,000	
Total		<u>\$ 2,700,000</u>		<u>\$ 2,650,000</u>		<u>\$ 1,955,000</u>	<u>\$ 7,305,000</u>	

See accompanying independent auditor's report.

## City of Grimes

## Comparison of Tax and Intergovernmental Receipts

	Years ended June 30,			
	2003	2002	2001	2000
Property tax	\$ 1,950,430	1,570,513	1,366,003	1,274,145
Tax increment financing collections	339,941	345,288	321,986	373,125
Other City tax:				
Mobile home	14,614	15,498	13,829	13,129
Utility tax replacement excise tax	55,073	51,358	47,253	-
Cable franchise fees	4,224	3,925	3,594	3,236
	73,911	70,781	64,676	16,365
Intergovernmental:				
Road use tax allocation	415,044	408,338	352,196	338,817
State allocation	49,416	52,116	47,077	47,218
Bank franchise tax	6,901	4,897	4,250	4,588
Governor's Alliance on Substance Abuse grant	42,250	39,000	35,750	16,250
Fire agreements	3,900	13,949	26,863	12,545
Miscellaneous	54,786	24,755	20,288	22,613
	572,297	543,055	486,424	442,031
Total	\$ 2,936,579	2,529,637	2,239,089	2,105,666

See accompanying independent auditor's report.



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Honorable Mayor and  
Members of the City Council:

We have audited the financial statements of the City of Grimes, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated November 13, 2003. Our report expressed an unqualified opinion on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Grimes' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that 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, 2003 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. Prior year statutory comments have been resolved except for item (2).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Grimes' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Grimes' ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. Prior year reportable conditions have been resolved except for item (A).

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Grimes and other parties to whom the City of Grimes may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 13, 2003

City of Grimes  
Schedule of Findings  
Year ended June 30, 2003

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITION:**

- (A) Information Systems – The City does not have written policies for password privacy and confidentiality of the City’s computer-based systems.

Recommendation – The City should develop written policies for password privacy and confidentiality in order to improve the City’s control over computer-based systems.

Response – The City will develop and implement written policies governing the importance of privacy and confidentiality of passwords.

Conclusion – Response accepted.

City of Grimes

Schedule of Findings

Year ended June 30, 2003

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

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2003.
- (2) Certified Budget – Disbursements during the year ended June 30, 2003 exceeded the amounts budgeted in the health and social services and debt service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the code of Iowa before disbursements were allowed to exceed the budget.

Response – The City will amend the budget in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

Conclusion – Response accepted.

- (3) Questionable Disbursements – No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (5) Business Transactions – No transactions between the City and City officials and employees were noted.
- (6) 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 insure the coverage is adequate for current operations.
- (7) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (9) Water and Sewer Revenue Bonds – The City has complied with the provisions of the water and sewer revenue bond resolutions.
- (10) Financial Condition – The Enterprise, Solid Waste Fund had a deficit balance at June 2003 of \$4,835.

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

City of Grimes

Schedule of Findings

Year ended June 30, 2003

Response – The City will investigate and implement alternatives to return this account to a sound financial position.

Conclusion – Response accepted.

- (11) Excessive Fund Balance – The Special Revenue, Road Use Tax Fund balance at June 30, 2003 was \$737,652. Disbursements for fiscal year 2003 were \$173,920. Therefore, the City had an ending balance in excess of the fiscal year 2003 disbursements.

Recommendation – The City should consider alternatives to reduce the Special Revenue, Road Use Tax Fund balance.

Response – The City will expend this balance in 2004 on the highway 44 improvement project, on the S 11<sup>th</sup> street project and on the NW 62<sup>nd</sup> signal project.

Conclusion – Response accepted.

- (12) Notice of Public Hearing for a Lease Purchase Agreement – The City did not publish a notice of public hearing before entering into a lease purchase agreement for a truck and snow plow.

Recommendation – Before entering into a lease-purchase agreement the City should publish a notice of public hearing of at least four but not more than twenty days prior to the hearing as provided in Chapter 362.3 of the Code of Iowa.

Response – The City will publish a notice of public hearing before entering into all lease-purchase agreements as provided in Chapter 362.3 of the Code of Iowa regardless of the payment classification.

Conclusion – Response accepted.

---

City of Grimes

Staff

This audit was performed by:

K. David Voy, CPA, Manager  
Ernest H. Ruben, Jr., CPA, Senior Auditor II  
Kristen E. Harang, CPA, Staff Auditor  
Heather L. Templeton, Assistant Auditor

Andrew E. Nielsen, CPA  
Deputy Auditor of State