



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

March 3, 2014

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Griswold, Iowa.

The City's receipts totaled \$3,309,798 for the year ended June 30, 2013. The receipts included \$245,642 in property and other city tax, \$83,826 in tax increment financing, \$671,486 from charges for service, \$266,923 from operating grants, contributions and restricted interest, \$474,627 from capital grants, contributions and restricted interest, \$1,445,077 of revenue bond proceeds, \$114,636 from local option sales tax, \$616 from unrestricted interest on investments and \$6,965 from other general receipts.

Disbursements for the year ended June 30, 2013 totaled \$3,361,538, and included \$346,737 for capital projects, \$186,990 for public safety and \$174,708 for culture and recreation. Disbursements for business type activities totaled \$2,237,477.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1321-0130-B00F.pdf>.

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CITY OF GRISWOLD
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

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City of Griswold

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lee Wyman	Mayor	Jan 2015
Julie Adams	Council Member	Jan 2013
Jared Wyman	Council Member	Jan 2013
Ryan Askeland	Council Member	Jan 2015
Lisa Cook	Council Member	Jan 2015
Larry Mundorf	Council Member	Jan 2015
Chelsea Huisman (ended Sept 19, 2013)	City Manager	Contracted
Marylynne Dickinson	City Clerk/Treasurer	Indefinite
David Wiederstein	Attorney	Indefinite

City of Griswold



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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 Griswold, Iowa, as of and for the year ended June 30, 2013, 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 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.

Basis for Modified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2012.

Modified Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2012, as discussed in the preceding paragraph, 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, each major fund and the aggregate remaining fund information of the City of Griswold as of June 30, 2013, and the respective changes in 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 opinion is 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 Griswold's basic financial statements. The supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

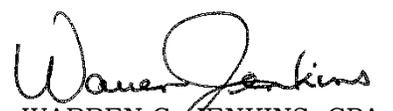
The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial 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 is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 11 and 28 through 30 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 27, 2014 on our consideration of the City of Griswold's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Griswold's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 27, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Griswold 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, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

2013 FINANCIAL HIGHLIGHTS

- The cash basis net position of the City's governmental activities decreased approximately \$182,000, due primarily to receiving grant proceeds in fiscal year 2012 for a library improvement project which were disbursed in fiscal year 2013.
- The cash basis net position of the City's business type activities increased approximately \$131,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

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, 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 water system and the sanitary sewer system. 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 Local Option Sales Tax, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. 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.

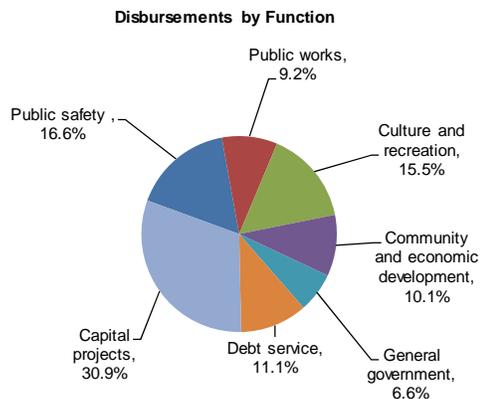
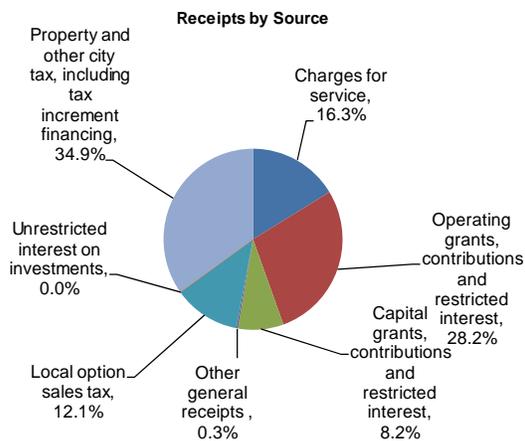
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

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 decreased from a year ago, decreasing from approximately \$1.217 million to approximately \$1.034 million. 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, 2013
Receipts:	
Program receipts:	
Charges for service	\$ 154,246
Operating grants, contributions and restricted interest	266,923
Capital grants, contributions and restricted interest	77,567
General receipts:	
Property and other city tax, including tax increment financing	329,468
Local option sales tax	114,636
Unrestricted interest on investments	105
Other general receipts	2,892
Total receipts	<u>945,837</u>
Disbursements:	
Public safety	186,990
Public works	103,027
Culture and recreation	174,708
Community and economic development	113,814
General government	73,789
Debt service	124,996
Capital projects	346,737
Total disbursements	<u>1,124,061</u>
Change in cash basis net position before transfers	(178,224)
Transfers, net	<u>(4,163)</u>
Change in cash basis net position	(182,387)
Cash basis net position beginning of year	<u>1,217,126</u>
Cash basis net position end of year	<u><u>\$ 1,034,739</u></u>



The cash basis net position of the City's governmental funds decreased primarily due to the City receiving grant proceeds during fiscal year 2012 for disbursements made in fiscal year 2013.

Changes in Cash Basis Net Position of Business Type Activities	
	Year ended June 30, 2013
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 164,472
Sewer	352,768
Capital grants, contributions and restricted interest	397,060
General receipts:	
Sewer revenue bond proceeds	1,445,077
Unrestricted interest on investments	511
Miscellaneous	4,073
Total receipts	<u>2,363,961</u>
Disbursements:	
Water	152,825
Sewer	2,084,652
Total disbursements	<u>2,237,477</u>
Change in cash basis net position before transfers	126,484
Transfers, net	<u>4,163</u>
Change in cash basis net position	130,647
Cash basis net position beginning of year	<u>301,800</u>
Cash basis net position end of year	<u><u>\$ 432,447</u></u>

The cash basis net position of the City's business type activities increased approximately \$131,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Griswold completed the year, its governmental funds reported a combined fund balance of approximately \$1,035,000, a decrease of approximately \$182,000 from last year's total of approximately \$1,217,000. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$25,337 to \$184,916 during the fiscal year.
- The Special Revenue, Community Center cash balance increased \$4,791 to \$138,628 during the fiscal year.
- The Debt Service Fund cash balance increased \$19,293 to \$22,166.
- The Capital Projects Fund cash balance decreased \$253,614 to \$291,035. Grant proceeds received in fiscal year 2012 were disbursed for a street improvement project in fiscal year 2013.
- The Permanent, Cemetery Trust Fund increased \$14 to \$129,7791.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased \$56,735 to \$242,065. This fund transferred \$46,000 to the Debt Service Fund in the current year to help reduce debt incurred for the sewer treatment facility.
- The Enterprise, Sewer Fund cash balance increased \$187,382 to \$190,382, due primarily to an increase in service fees from the prior year, bond proceeds and a CDBG grant.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The City's receipts were \$713,387 more than budgeted due to the City receiving more CDBG Grants than budgeted. Total disbursements were \$6,293 more than budgeted. Capital projects disbursements were \$1,908,263 less than budgeted while business activities disbursements were \$2,101,477 more than budgeted. This is due primarily to the City incorrectly budgeting disbursements related to the sewer rehabilitation project. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the public safety and business type activities functions.

DEBT ADMINISTRATION

At June 30, 2013, the City had \$1,967,588 of bonds and notes outstanding, compared to \$894,329 last year, as shown below:

	Outstanding Debt at Year-End	
	June 30,	
	2013	2012
General obligation bonds - sewer improvement	\$ 45,000	55,000
General obligation refunding bond	180,000	270,000
General obligation notes - sports complex lighting	17,326	34,229
Sewer revenue bonds, series 2000	331,000	371,000
Sewer revenue bonds, series 2012	1,394,262	164,100
Total	\$ 1,967,588	894,329

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 debt of \$242,326 is below its constitutional debt limit of \$1,856,056. 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 of Griswold's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates and fees charged for various City activities. The City's fiscal year 2014 tax levy rate increased \$.68886/per \$1,000 of taxable valuation, or 5.58%, over the fiscal year 2013 levy. The actual taxable property valuation for the City in fiscal year 2012 was \$16,913,464 compared with a fiscal year 2013 actual taxable property valuation of \$17,956,509.

The fiscal year 2014 budget includes receipts of \$1,123,460 and disbursements of \$3,318,060. These amounts represent a decrease in anticipated receipts and disbursements from fiscal year 2013 due to anticipated completion of a sewer improvement project.

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 Marylynn Dickinson, P.O. Box 760, 601 2nd Street, Griswold, Iowa 51535.

City of Griswold

Basic Financial Statements

City of Griswold

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 186,990	82,960	56,652	5,012
Public works	103,027	-	104,235	-
Culture and recreation	174,708	52,138	41,731	72,555
Community and economic development	113,814	-	64,305	-
General government	73,789	19,148	-	-
Debt service	124,996	-	-	-
Capital projects	346,737	-	-	-
Total governmental activities	1,124,061	154,246	266,923	77,567
Business type activities:				
Water	152,825	164,472	-	-
Sewer	2,084,652	352,768	-	397,060
Total business type activities	2,237,477	517,240	-	397,060
Total	\$ 3,361,538	671,486	266,923	474,627

General Receipts and Transfers:

Property and other city tax levied for:

General purposes

Debt service

Tax increment financing

Local option sales tax

Unrestricted interest on investments

Sewer revenue bond proceeds (net of \$8,185 initiation fee)

Miscellaneous

Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted:

Non expendable - cemetery trust

Expendable:

Fire and rescue

Community center

Streets

Urban renewal purposes

Flood control

Employee trust

Debt service

Other purposes

Unrestricted

Total cash basis net position

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(42,366)	-	(42,366)
1,208	-	1,208
(8,284)	-	(8,284)
(49,509)	-	(49,509)
(54,641)	-	(54,641)
(124,996)	-	(124,996)
(346,737)	-	(346,737)
(625,325)	-	(625,325)
-	11,647	11,647
-	(1,334,824)	(1,334,824)
-	(1,323,177)	(1,323,177)
(625,325)	(1,323,177)	(1,948,502)
215,087	-	215,087
30,555	-	30,555
83,826	-	83,826
114,636	-	114,636
105	511	616
-	1,445,077	1,445,077
2,892	4,073	6,965
(4,163)	4,163	-
442,938	1,453,824	1,896,762
(182,387)	130,647	(51,740)
1,217,126	301,800	1,518,926
\$ 1,034,739	432,447	1,467,186
\$ 129,779	-	129,779
190,348	-	190,348
138,628	-	138,628
66,209	-	66,209
67,012	-	67,012
40,000	-	40,000
21,656	-	21,656
22,166	57,293	79,459
36,896	-	36,896
322,045	375,154	697,199
\$ 1,034,739	432,447	1,467,186

City of Griswold

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2013

	Special Revenue			Capital Projects
	General	Community Center	Debt Service	
Receipts:				
Property tax	\$ 174,679	-	30,555	12,301
Other city tax	-	-	-	-
Licenses and permits	6,497	-	-	-
Use of money and property	9,663	14,817	-	31
Intergovernmental	16,614	-	-	62,141
Charges for service	92,058	-	-	-
Miscellaneous	74,363	13,500	-	13,650
Total receipts	373,874	28,317	30,555	88,123
Disbursements:				
Operating:				
Public safety	147,807	-	-	-
Public works	35,604	-	-	-
Culture and recreation	130,806	31,117	-	-
Community and economic development	33,378	-	-	-
General government	63,795	-	-	-
Debt service	-	-	124,996	-
Capital projects	-	-	-	346,737
Total disbursements	411,390	31,117	124,996	346,737
Excess (deficiency) of receipts over (under) disbursements	(37,516)	(2,800)	(94,441)	(258,614)
Other financing sources (uses):				
Operating transfers in	66,993	7,591	113,734	5,000
Operating transfers out	(54,814)	-	-	-
Total other financing sources (uses)	12,179	7,591	113,734	5,000
Change in cash balances	(25,337)	4,791	19,293	(253,614)
Cash balances beginning of year	210,253	133,837	2,873	544,649
Cash balances end of year	\$ 184,916	138,628	22,166	291,035
Cash Basis Fund Balances				
Nonspendable - cemetery trust	\$ -	-	-	-
Restricted for:				
Fire and rescue	124,672	-	-	-
Community center	-	138,628	-	-
Streets	-	-	-	-
Urban renewal purposes	-	-	-	-
Flood control	-	-	-	-
Employee benefits	-	-	-	-
Debt service	-	-	22,166	-
Other purposes	27,231	-	-	-
Assigned for:				
Vehicles	-	-	-	185,595
Library	-	-	-	93,139
Other purposes	-	-	-	12,301
Unassigned	33,013	-	-	-
Total cash basis fund balances	\$ 184,916	138,628	22,166	291,035

See notes to financial statements.

Permanent		
Cemetery		
Trust	Nonmajor	Total
-	28,107	245,642
-	198,462	198,462
-	-	6,497
14	117	24,642
-	165,119	243,874
-	-	92,058
-	33,149	134,662
14	424,954	945,837
-	39,183	186,990
-	67,423	103,027
-	12,785	174,708
-	80,436	113,814
-	9,994	73,789
-	-	124,996
-	-	346,737
-	209,821	1,124,061
14	215,133	(178,224)
-	-	193,318
-	(142,667)	(197,481)
-	(142,667)	(4,163)
14	72,466	(182,387)
129,765	195,749	1,217,126
129,779	268,215	1,034,739
129,779	-	129,779
-	65,676	190,348
-	-	138,628
-	66,209	66,209
-	67,012	67,012
-	40,000	40,000
-	21,656	21,656
-	-	22,166
-	9,665	36,896
-	-	185,595
-	-	93,139
-	-	12,301
-	(2,003)	31,010
129,779	268,215	1,034,739

City of Griswold

City of Griswold

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

As of and for the year ended June 30, 2013

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 164,472	352,768	517,240
Operating disbursements:			
Business type activities	152,825	98,950	251,775
Excess of operating receipts over operating disbursements	11,647	253,818	265,465
Non-operating receipts (disbursements):			
Interest on investments	353	158	511
Community Development Block grant	-	397,060	397,060
Miscellaneous	1,835	2,238	4,073
Sewer revenue bond proceeds (net of \$8,185 initiation fee)	-	1,445,077	1,445,077
Capital outlay	-	(1,677,079)	(1,677,079)
Debt service	-	(308,623)	(308,623)
Net non-operating receipts (disbursements)	2,188	(141,169)	(138,981)
Excess of receipts over disbursements	13,835	112,649	126,484
Operating transfers in (out):			
Operating transfers in	-	74,733	74,733
Operating transfers out	(70,570)	-	(70,570)
Total operating transfers in (out)	(70,570)	74,733	4,163
Change in cash balances	(56,735)	187,382	130,647
Cash balances beginning of year	298,800	3,000	301,800
Cash balances end of year	\$ 242,065	190,382	432,447
Cash Basis Fund Balances			
Restricted for debt service	\$ -	57,293	57,293
Unrestricted	242,065	133,089	375,154
Total cash basis fund balances	\$ 242,065	190,382	432,447

See notes to financial statements.

City of Griswold

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

The City of Griswold is a political subdivision of the State of Iowa located in Cass County. It was first incorporated in 1855 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, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Griswold 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 Griswold (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 or financial relationship with the City.

Blended Component Unit

The Griswold Rescue Squad is legally separate from the City, but is so intertwined with the City it is, in substance, part of the City. The Griswold Rescue Squad is organized under Chapter 504A of the Code of Iowa as non-profit corporation and collects donations which are used to purchase items not included in the City's budget. The financial transactions of this component unit has been blended into the Special Revenue Funds.

Jointly Governed Organizations

The City participates in several jointly governed organizations which 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: Cass County Assessor's Conference Board, Cass County Environmental Control Agency, Cass County Emergency Management Commission, Cass County Public Safety Commission and Cass County Joint E911 Service Board.

B. Basis of Presentation

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

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

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position result when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

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

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

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts 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 Community Center Fund is used to account for receipts from rental fees and donations to be used for the maintenance of the Community Center.

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

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

The Permanent, Cemetery Trust Fund is utilized to account for funds collected to be used for the perpetual care of the cemetery.

The City reports the following major proprietary funds:

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

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

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 assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

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

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 are 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, 2013, disbursements exceeded the amounts budgeted in the public safety and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2013 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 has had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$632,940 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City's investment in the Iowa Public Agency Investment Trust is unrated.

(3) Long Term Debt

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

Year Ending June 30,	General Obligation Bonds		General Obligation Note		Sewer Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 105,000	4,830	17,326	438	42,000	12,975	164,326	18,243
2015	105,000	2,783	-	-	44,000	11,329	149,000	14,112
2016	15,000	720	-	-	45,000	9,604	60,000	10,324
2017	-	-	-	-	47,000	7,840	47,000	7,840
2018	-	-	-	-	49,000	5,998	49,000	5,998
2019-2020	-	-	-	-	104,000	6,155	104,000	6,155
Total	\$ 225,000	8,333	17,326	438	331,000	53,901	573,326	62,672

Project Revenue Note

On September 29, 2010, the City entered into an interest free interim project note agreement with the Iowa Finance Authority for up to \$243,500 to be used for the purpose of paying costs of planning, designing and constructing improvements and extensions to the sanitary sewer system. The note was issued pursuant to Chapters 76.13 and 384.24A of the Code of Iowa in anticipation of the receipt of and is payable from the proceeds of an authorized loan agreement and the corresponding issuance of sewer revenue bonds. At June 30, 2012, the City had drawn \$164,100 against the interim project note. During the year ended June 30, 2013, the City repaid the note.

Sewer Revenue Bonds

On July 27, 2012, the City entered into an agreement with the Iowa Finance Authority (IFA) and the Iowa Department of Natural Resources (DNR) for the issuance of sewer revenue bonds of up to \$1,637,000 with interest at 3.0% per annum. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the sewer treatment facilities. The City will draw down funds from IFA for costs as they are incurred. At June 30, 2013, the City had drawn down \$1,453,262 of the authorized amount, including an initiation fee of \$8,185. During fiscal year 2013, the City paid principal of \$59,000 and interest of \$33,707 on the bonds under a preliminary schedule. A final repayment schedule will not be adopted until the City has drawn down the lesser of total project costs or the authorized amount of the bonds.

The City has also pledged future sewer customer receipts, net of specified operating disbursements, to repay \$750,000 of sewer revenue bonds issued in June 2000. The bonds are payable solely from sewer customer net receipts, bear interest at 3.92% per annum and are payable through 2020.

Annual principal and interest payments on both bond issues are expected to require less than 57% of net receipts. The agreements also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The total principal and interest remaining to be paid on the Series 2000 bonds is \$384,901. For the current year, principal and interest paid on both bond issues and total customer net receipts were \$143,837 and \$253,818, respectively.

The resolutions providing for the issuance of the sewer revenue bonds include the following provisions:

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

The City has not made the required transfers timely to the sewer revenue bond sinking account. Also, the City is not being charged for service as required.

(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.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2013 was \$15,117, equal to the required contribution for the year.

(5) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales Tax	\$ 66,993
Special Revenue: Community Buliding	General Special Revenue: Local Option Sales Tax	6,514 1,077 <u>7,591</u>
Debt Service	General Special Revenue: Tax Increment Financing Enterprise: Water	30,850 58,314 24,570 <u>113,734</u>
Capital Projects	Special Revenue: Local Option Sales Tax	5,000
Enterprise: Sewer	General Special Revenue: Tax Increment Financing Enterprise: Water	17,450 11,283 46,000 <u>74,733</u>
Total		<u>\$ 268,051</u>

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

(6) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 2 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with United Health Care. Retirees under age 65 would 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 ranged from \$1,008 to \$1,483 for family coverage, depending on the plan chosen. The same monthly premiums would apply to retirees. For the year ended June 30, 2013, the City contributed \$36,897 and plan members eligible for benefits contributed \$2,344 to the plan.

(7) 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.

(8) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time 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 time payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

Type of Benefit	June 30, 2013
Vacation	\$ 900
Compensatory time	2,900
Total	<u>\$ 3,800</u>

This liability has been computed based on rates of pay in effect at June 30, 2013.

(9) Deficit Fund Balances

The Special Revenue, Housing Project and Playground Funds had deficit balances at June 30, 2013 of \$1,875 and \$128, respectively.

The City is reviewing these deficits and will determine the best way to eliminate the deficits to return these funds to a sound financial position.

Other Information

City of Griswold
 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, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required to be Budgeted	Total
Receipts:				
Property tax	\$ 245,642	-	-	245,642
Other city tax	198,462	-	-	198,462
Licenses and permits	6,497	-	-	6,497
Use of money and property	24,642	511	111	25,042
Intergovernmental	243,874	397,060	-	640,934
Charges for service	92,058	517,240	-	609,298
Miscellaneous	134,662	4,073	27,763	110,972
Total receipts	945,837	918,884	27,874	1,836,847
Disbursements:				
Public safety	186,990	-	37,185	149,805
Public works	103,027	-	-	103,027
Culture and recreation	174,708	-	-	174,708
Community and economic development	113,814	-	-	113,814
General government	73,789	-	-	73,789
Debt service	124,996	-	-	124,996
Capital projects	346,737	-	-	346,737
Business type activities	-	2,237,477	-	2,237,477
Total disbursements	1,124,061	2,237,477	37,185	3,324,353
Excess (deficiency) of receipts over (under) disbursements	(178,224)	(1,318,593)	(9,311)	(1,487,506)
Other financing sources (uses), net	(4,163)	1,449,240	-	1,445,077
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(182,387)	130,647	(9,311)	(42,429)
Balances beginning of year	1,217,126	301,800	74,987	1,443,939
Balances end of year	\$ 1,034,739	432,447	65,676	1,401,510

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
238,146	238,146	7,496
195,946	195,946	2,516
2,830	2,830	3,667
26,198	26,198	(1,156)
107,640	141,890	499,044
407,300	497,300	111,998
21,150	21,150	89,822
999,210	1,123,460	713,387
131,650	138,475	(11,330)
110,780	110,780	7,753
139,725	204,025	29,317
17,500	114,900	1,086
91,050	91,050	17,261
177,830	267,830	142,834
2,255,000	2,255,000	1,908,263
291,220	136,000	(2,101,477)
3,214,755	3,318,060	(6,293)
(2,215,545)	(2,194,600)	707,094
2,000,000	2,263,152	(818,075)
(215,545)	68,552	(110,981)
985,764	985,764	458,175
770,219	1,054,316	347,194

City of Griswold

Notes to Other Information – Budgetary Reporting

June 30, 2013

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the blended component unit. 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 Fund, the Capital Projects Fund, the Permanent Fund 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, two budget amendments increased budgeted disbursements by \$103,305. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the public safety and business type activities functions.

Supplementary Information

City of Griswold

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2013

	Road Use Tax	Employee Benefits	Local Option Sales Tax	Tax Incement Financing
Receipts:				
Property tax	\$ -	28,107	-	-
Other city taxes	-	-	114,636	83,826
Use of money and property	-	-	-	6
Intergovernmental	99,615	-	-	-
Miscellaneous	-	-	-	-
Total receipts	99,615	28,107	114,636	83,832
Disbursements:				
Operating:				
Public safety	-	1,998	-	-
Public works	53,706	13,717	-	-
Culture and recreation	-	6,612	-	-
Community and economic development	-	-	-	-
General government	-	9,994	-	-
Total disbursements	53,706	32,321	-	-
Excess (deficiency) of receipts over (under) disbursements	45,909	(4,214)	114,636	83,832
Other financing uses:				
Operating transfers out	-	-	(73,070)	(69,597)
Change in cash balances	45,909	(4,214)	41,566	14,235
Cash balances beginning of year	20,300	25,870	(39,014)	52,777
Cash balances end of year	\$ 66,209	21,656	2,552	67,012
Cash Basis Fund Balances				
Restricted for:				
Fire and rescue	\$ -	-	-	-
Streets	66,209	-	-	-
Urban renewal purposes	-	-	-	67,012
Flood control	-	-	-	-
Employee benefits	-	21,656	-	-
Other purposes	-	-	2,552	-
Unassigned	-	-	-	-
Total	\$ 66,209	21,656	2,552	67,012

See accompanying independent auditor's report.

Special Revenue						
Housing Project	Flood Control	Playground	Griswald Rescue Squad	Griswald Library Trust	Total	
-	-	-	-	-	-	28,107
-	-	-	-	-	-	198,462
-	-	-	111	-	-	117
64,299	-	-	-	1,205	-	165,119
-	-	-	27,763	5,386	-	33,149
64,299	-	-	27,874	6,591	-	424,954
-	-	-	37,185	-	-	39,183
-	-	-	-	-	-	67,423
-	-	115	-	6,058	-	12,785
80,436	-	-	-	-	-	80,436
-	-	-	-	-	-	9,994
80,436	-	115	37,185	6,058	-	209,821
(16,137)	-	(115)	(9,311)	533	-	215,133
-	-	-	-	-	-	(142,667)
(16,137)	-	(115)	(9,311)	533	-	72,466
14,262	40,000	(13)	74,987	6,580	-	195,749
(1,875)	40,000	(128)	65,676	7,113	-	268,215
-	-	-	65,676	-	-	65,676
-	-	-	-	-	-	66,209
-	-	-	-	-	-	67,012
-	40,000	-	-	-	-	40,000
-	-	-	-	-	-	21,656
-	-	-	-	7,113	-	9,665
(1,875)	-	(128)	-	-	-	(2,003)
(1,875)	40,000	(128)	65,676	7,113	-	268,215

City of Griswold
Schedule of Indebtedness
Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Sewer improvement	Jul 15, 2006	4.25-4.80 %	\$ 115,000
Refunding, Series 2010	Oct 10, 2010	1.00-1.50	450,000
Total			
General obligation note:			
Sports complex lighting	Apr 15, 2011	1.00-2.50 %	\$ 51,000
Revenue bonds:			
Sewer, Series 2000	Jun 1, 2000 *	3.92 %	\$ 750,000
Sewer revenue interim project	Sep 29, 2010	0.00	164,100
Sewer, Series 2012	Jul 27, 2012 *	3.00	1,637,000
Total			

*The agreements also require the City to annually pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
55,000	-	10,000	45,000	2,585
270,000	-	90,000	180,000	4,050
\$ 325,000	-	100,000	225,000	6,635
34,229	-	16,903	17,326	858
371,000	-	40,000	331,000	11,130
164,100		164,100	-	-
-	1,453,262	59,000	1,394,262	33,707
\$ 535,100	1,453,262	263,100	1,725,262	44,837

City of Griswold
Bond and Note Maturities
June 30, 2013

General Obligation Bonds						
Year Ending June 30,	Sewer Improvement Issued Jul 15, 2006		Refunding, Series 2010 Issued Oct 10, 2010		Total	
	Interest		Interest			
	Rates	Amount	Rates	Amount		
2014	4.73%	\$ 15,000	3.00%	\$ 90,000	105,000	
2015	4.78	15,000	3.00	90,000	105,000	
2016	4.80	15,000		-	15,000	
Total		<u>\$ 45,000</u>		<u>\$ 180,000</u>	<u>225,000</u>	

Year Ending June 30,	General Obligation Note Sporting Complex Lighting Issued Apr 15, 2011		Revenue Bonds Sewer, Series 2000 Issued Jun 1, 2000	
	Interest		Interest	
	Rates	Amount	Rates	Amount
2014	2.5%	\$ 17,326	3.92%	\$ 42,000
2015		-	3.92	44,000
2016		-	3.92	45,000
2017		-	3.92	47,000
2018		-	3.92	49,000
2019		-	3.92	51,000
2020		-	3.92	53,000
Total		<u>\$ 17,326</u>		<u>\$ 331,000</u>

See accompanying independent auditor's report.

City of Griswold
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2013

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Agriculture			
Community Facilities Grant Agreement	10.780		\$ 7,891
Community Facilities Grant Agreement	10.780		50,000
			57,891
			<u>115,782</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	10-HSG-083	78,561
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	11-WS-026	372,470
			<u>451,031</u>
Total			<u>\$ 508,922</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Griswold and is presented in conformity with an other comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

City of Griswold



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Mary Mosiman, CPA
Auditor of State

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 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 Griswold, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 27, 2014. Our report expressed modified 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, since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2012.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Griswold'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 Griswold's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Griswold'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 and Questioned Costs, 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 Griswold's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-13 through II-C-13 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-D-13 through II-K-13 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Griswold'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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 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 Griswold's Responses to the Findings

The City of Griswold's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Griswold'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 results 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 Griswold 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.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 27, 2014

City of Griswold

**Independent Auditor's Report on Compliance
for Each Major Federal Program, on Internal Control over Compliance
and on the Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133**



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Independent Auditor's Report on Compliance
for Each Major Federal Program, on Internal Control over Compliance
and on the Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Griswold, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Griswold's major federal program for the year ended June 30, 2013. The City of Griswold's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Griswold's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Griswold's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Griswold's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Griswold complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of the City of Griswold is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Griswold's internal control over compliance with the types of requirements that could have a direct and

material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Griswold's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-A-13 and III-B-13 to be material weaknesses.

The City of Griswold's responses to the internal control over compliance findings identified in our audit are reported in the accompanying Schedule of Findings and Questioned Costs. The City of Griswold's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 27, 2014

City of Griswold

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Part I: Summary of the Independent Auditor's Results:

- (a) Modified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Material weaknesses in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Griswold did not qualify as a low-risk auditee.

City of Griswold

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-13 Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees and officials to prevent an individual employee from handling duties which are incompatible. For the City, one individual has control over each of the following areas:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, recording, depositing, journalizing, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparing, posting and distributing.
- (5) Long-term debt – recording, debt payment processing and reconciling.
- (6) Financial reporting – preparing, recording and reconciling.
- (7) Computer systems – performing all general accounting functions and controlling all data input and output.
- (8) Journal entries – preparing and journalizing.

For the Griswold Fire Department, Griswold Rescue Squad, Youth Sports Complex and Griswold Library Trust (separately maintained accounts and component unit), one individual has control over each of the following areas.

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – collecting, recording, depositing and reconciling.
- (3) Disbursements – preparing, signing, recording and reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances. Currently available personnel, including elected officials, should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible and should be evidenced by the signature or initials of the reviewer and the date of the review.

Response – The City Clerk will talk with the City Council to perform more oversight and implement policies for segregation of duties.

Conclusion – Response accepted.

City of Griswold

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

- II-B-13 Financial Reporting – During the audit, we identified material amounts of receipts and disbursements for the City’s sewer project recorded incorrectly in the City’s financial accounting records. The activity related to the City’s sewer project was funded with revenue debt, which requires the receipts and disbursements be reported in the Enterprise, Sewer Fund. The activity was previously recorded in the Capital Projects Fund. This was properly adjusted for reporting purposes.

Recommendation – The City should ensure all future sewer projects financed with revenue notes are recorded in the Enterprise, Sewer Fund.

Response – In the future, the City will ensure sewer projects financed with revenue notes are recorded correctly in the Enterprise, Sewer Fund.

Conclusion – Response accepted.

- II-C-13 Separately Maintained Records – The Griswold Fire Department, the Griswold Library Trust and the Youth Sports Complex maintain bank accounts for fundraiser and donation activity separate from the City Clerk’s accounting records. The transactions and the resulting balances were not included in the City’s accounting records and were not included in the City’s annual budget or monthly financial reports. However, the transactions and the resulting balances are included in these financial statements.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose.” For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City’s accounting records and annual budget and should be reported to the City Council on a monthly basis.

Also, the Griswold Library Trust and the Griswold Fire Department have one person who has primary control over receipts, deposits, disbursements and the bank reconciliation.

Response – The City will work with these departments to collect and maintain these financials to be included in the City’s records. Also, the City will encourage these departments to include at least one more individual in their accounting process.

Conclusion – Response accepted.

- II-D-13 Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reviewed by an independent person.

Recommendation – The City Council or a Council-designated independent person should review the reconciliations and monitor delinquent accounts. The reviews should be evidenced by the signature or initials of the reviewer and the date of the review.

Response – The City Clerk will make these reports available for signature and review by a Council member for monitoring purposes.

Conclusion – Response accepted.

City of Griswold

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

II-E-13 Lack of Written Policies and Procedures – While the City has adopted a written disaster recovery plan, certain items were not included in the plan. Specifically, the plan does not include an inventory of all essential hardware components and software applications, a requirement essential supplies, relevant accounting manuals and other documentation, current system backups and a copy of the disaster recovery plan be located offsite and does not contain a requirement to test the plan annually.

Recommendation – The City should include the above items in its written disaster recovery plan.

Response – The City has received a disaster plan checklist as a guideline to make sure everything is in the plan that is needed. The City Council will revise the current plan to include the items mentioned above.

Conclusion – Response accepted.

II-F-13 Payroll – Although time sheets were maintained and retained for all employees, the timecards tested showed no indication they had been reviewed and approved by the appropriate supervisory personnel prior to the preparation of payroll. In addition, the City is not tracking compensated absences.

Recommendation – Time sheets should be reviewed and approved by appropriate supervisory personnel prior to preparation of payroll. The approval should be evidenced by initials of the reviewer. In addition, compensated absences should be tracked and should be reviewed and initialed by an independent person.

Response – The City has already implemented the process of review by signature of the supervisor reviewing payroll. Compensated absences will be maintained and submitted to the City Council for approval.

Conclusion - Response accepted.

II-G-13 Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City’s Annual Financial Report contain a “summary for the preceding fiscal year of all collections and receipts, all accounts due the City, and all expenditures...”. The City’s Annual Financial Report did not include the separately maintained Griswold Fire Department, Griswold Library Trust, Youth Sports Complex or Griswold Rescue Squad activities for the year as required by Chapter 384.22 of the Code of Iowa. The City’s Annual Financial Report for the year ended June 30, 2013 reported financial activity and balances which do not materially agree with the City’s records.

Recommendation – The Annual Financial Report should be amended to correct the material errors and the amounts reported should be supported by the City’s records.

Response – The City will amend the beginning balances as necessary and account for these departments on future AFR’s.

Conclusion – Response accepted.

City of Griswold

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

- II-H-13 Bank Reconciliations – The City Clerk’s ledger balances were not reconciled monthly to the bank accounts for 6 of 12 months. An independent review of the bank reconciliations was not performed for the six months for which a reconciliation was prepared.

In addition, the Griswold Fire Department, which maintains separate records from the City, does not perform bank reconciliations.

Recommendation – To improve financial accountability and control, the ledger balances should be reconciled monthly to the bank balances. Any variances should be investigated and resolved in a timely manner. An independent person should review the bank reconciliations and document the review by signing or initialing and dating the monthly bank reconciliations.

Response – The City Clerk will make these reports available for signature and review by a Council member for monitoring purposes.

Conclusion – Response accepted.

- II-I-13 Timely Deposit – Certain receipts were not deposited timely by the City.

Recommendation – All receipts should be deposited timely.

Response – Receipts will be deposited within a timely manner.

Conclusion – Response accepted.

- II-J-13 Certificate of Deposit Interest - Interest on certificates of deposit is not recorded in the year received.

Recommendation – The City should implement procedures to ensure all interest is properly recorded in the year received.

Response – The City has already implemented the steps to record interest properly.

Conclusion – Response accepted.

- II-K-13 Transfers – The transfers are not made as approved during the City Council meetings.

Recommendation – The City should make all transfers based on the approved resolution for transfers approved by the City Council.

Response – The City will take the necessary steps to ensure all future transfers in the City accounting records match the transfers approved by resolution during Council meetings.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Griswold

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

**CFDA Number 14.228: Community Development Block Grants/State's Program and
Non-Entitlement Grants in Hawaii
Federal Award Year: 2013
U.S. Department of Housing and Urban Development
Passed through the Iowa Department of Economic Development**

III-A-13 (2013-001) Segregation of Duties – The City did not properly segregate collection, deposit and record-keeping for receipts, including those related to federal programs. See item II-A-12.

III-B-13 (2013-002) Cash Management – For 10 of 18 grant drawdown requests, the City did not disburse funds within 10 days as required by the grant agreement.

Recommendation – The City should implement procedures to ensure grant funds are disbursed timely.

Response – The City will implement a written procedure on disbursing funds within the time frame of grant agreements.

Conclusion – Response accepted.

City of Griswold

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Part IV: Findings Related to Required Statutory Reporting:

IV-A-13 Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the public works, culture and recreation and business type activities functions. In addition, disbursements exceeded the amounts budgeted prior to the budget amendment in the culture and recreation, community and economic development and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.20 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The City will amend the budgets in the future before disbursements are allowed to exceed each year’s budget.

Conclusion – Response accepted.

IV-B-13 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.

IV-C-13 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-13 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
J.D. Wyman, Owner of Car Quest, Father of Council Member and Brother of Mayor	Parts and maintenance for fire trucks and city vehicles.	\$ 1,340
Marty Wyman, Uncle of Council Member and Brother of Mayor	Lawn care and purchase of trees.	4,029

In accordance with Chapter 362.5(k) of the Code of Iowa, the transactions with J.D. Wyman do not appear to represent a conflict of interest since the disbursements were less than \$2,500 during the fiscal year.

In accordance with Chapter 362.5(k) of the Code of Iowa, the transactions with Marty Wyman appear to represent a conflict of interest since the disbursements were more than \$2,500 during the fiscal year and were not competitively bid.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – The City will consult legal counsel to determine the disposition of this matter.

Conclusion – Response accepted.

City of Griswold

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

- IV-E-13 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.
- IV-F-13 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- IV-G-13 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.
- IV-H-13 Disbursements – The City only received an image of the front of electronically retained checks from the bank.

Recommendation - The City should request both the front and back images of checks in accordance with Chapter 554D.114(5) of the Code of Iowa.

Response – The City has already started receiving (October 2013 statement) the back of canceled checks with each monthly bank statement.

Conclusion – Response accepted.

- IV-I-13 Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1.

- IV-J-13 Financial Condition – At June 30, 2013, the City had deficit balances in the following funds:

<u>Fund</u>	<u>Amount</u>
Special Revenue:	
Housing Project	\$ 1,875
Playground	128

Recommendation – The City should investigate alternatives to eliminate these deficits to return these funds to a sound financial position.

Response – The City will look into these findings and discuss the best way to eliminate these deficits.

Conclusion – Response accepted.

City of Griswold

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

IV-K-13 Revenue Bonds -- The following instances of non-compliance with the sewer revenue bond requirements were noted:

- The City's sewer revenue bond resolution, 10-2000, Section 6 requires all users of the system, including the City, be charged for use. All City departments are not charged for sewer usage.
- The City's sewer revenue bond resolution Section 9 states payments are to be made into the sinking account in equal monthly installments on the first day of each month. The City did not make timely monthly transfers in the year ended June 30, 2013.

Recommendation – The City should establish procedures to ensure all City departments are charged for sewer usage and should make timely payments to the sinking account as required by the bond resolution.

Response – The City will establish a sewer charge for all City departments to be paid either on a monthly basis or as a yearly sum. The City will make monthly transfers on the first day of each month.

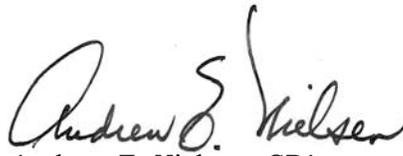
Conclusion – Response accepted.

City of Griswold

Staff

This audit was performed by:

Debra J. Moser, CPA, Manager
Todd E. Pudenz, CPA, Staff Auditor
Dorothy Stover, Staff Auditor
Ryan Magill, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State