



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

April 25, 2005

Contact: Andy Nielsen
515/281-5834

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

The City has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole. Also included is Management's Discussion and Analysis of the City's financial statements.

The City's receipts totaled \$2,125,559 for the year ended June 30, 2004. The receipts included \$204,918 in property tax, \$3,441 from tax increment financing, \$236,797 from charges for service, \$147,904 from operating grants, contributions and restricted interest, \$555,267 from capital grants, contributions and restricted interest, \$83,617 from local option sales tax, \$2,831 from unrestricted interest on investments, \$874,436 from project warrant and bond proceeds and \$16,348 from other general receipts.

Disbursements for the year totaled \$2,693,474, and included \$1,080,229 for capital projects, \$868,921 for debt service and \$119,714 for public safety. Also, disbursements for business type activities totaled \$376,281.

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

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

JUNE 30, 2004

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City of Griswold

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2004)		
L.C. Boucher	Mayor	Jan 2004
Jim Ridlen	Council Member	Jan 2004
Barry Moore	Council Member	Jan 2004
Delores Kirk	Council Member	Jan 2004
Lee Peebles	Council Member	Jan 2006
David Wallace	Council Member	Jan 2006
(After January 2004)		
Jerry Putnam	Mayor	Jan 2008
Lee Peebles	Council Member	Jan 2006
David Wallace	Council Member	Jan 2006
Dan Rossell	Council Member	Jan 2008
Tom Sandbothe	Council Member	Jan 2008
Paul Stein	Council Member	Jan 2008
Dawn Ridlen	Clerk/Treasurer	Indefinite
Brian Daiker	Attorney	Indefinite

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

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, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Griswold's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 our audit provides a reasonable basis for our opinions.

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. Also, 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, 2003.

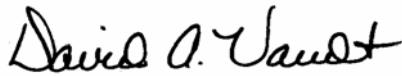
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2003, as discussed in the preceding paragraph, the financial statements referred to above present 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, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 12, during the year ended June 30, 2004, the City adopted 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; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule—Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated February 11, 2005 on our consideration of the City of Griswold's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is 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.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 28 through 30 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Griswold's basic financial statements. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, 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, 2003, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 11, 2005

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, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, and since 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.

2004 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental funds decreased by approximately \$515,000 due to construction costs incurred for the main street project.
- The cash basis net assets of the City's business type activities decreased by approximately \$53,000 due to a decrease in water and sewer collections in February 2004 while switching to metered sales and an increase in disbursements for new water meters and payments on the water revenue bonds.

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 Statement of Activities and Net Assets. 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 statement by providing information about the most significant funds.

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

Required Supplementary Information further explains and supports the financial statements with a comparison to the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

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, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information that helps answer this question.

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

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks 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 and 4) the Capital Projects 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.

A reconciliation between governmental activities reported in the government-wide financial statement and the governmental fund financial statement follows the governmental fund financial statement.

2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer operations, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

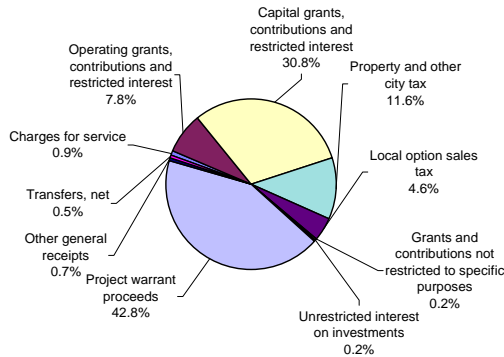
Business type activities reported in the government-wide financial statement are the same as reported for the Enterprise Funds in the proprietary fund financial statement.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

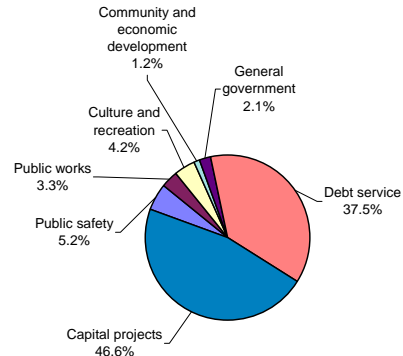
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, from \$1,212,224 to \$697,373. The decrease was primarily due to construction costs incurred for the main street project. The analysis that follows focuses on the changes in cash balances for governmental activities.

<u>Changes in Cash Basis Net Assets of Governmental Activities</u>	
	<u>Year ended June 30, 2004</u>
Receipts and transfers:	
Program receipts:	
Charges for service	\$ 16,030
Operating grants, contributions and restricted interest	139,765
Capital grants, contributions and restricted interest	555,267
General receipts:	
Property and other city tax	208,359
Local option sales tax	83,617
Grants and contributions not restricted to specific purposes	3,256
Unrestricted interest on investments	2,831
Project warrant proceeds	771,125
Other general receipts	13,092
Transfers, net	9,000
Total receipts and transfers	<u>1,802,342</u>
Disbursements:	
Public safety	119,714
Public works	76,131
Culture and recreation	97,215
Community and economic development	27,174
General government	47,809
Debt service	868,921
Capital projects	1,080,229
Total disbursements	<u>2,317,193</u>
Decrease in cash basis net assets	(514,851)
Cash basis net assets beginning of year	<u>1,212,224</u>
Cash basis net assets end of year	<u><u>\$ 697,373</u></u>

Receipts by Source



Disbursements by Function



The total business type activities cash balance decreased from a year ago, from \$323,863 to \$270,799. The decrease is due to a lack of utility collections in February 2004 while switching to meters and an increase in disbursements for new water meters and water revenue bond payments.

Changes in Cash Basis Net Assets of Business Type Activities

	Year ended June 30, 2004
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 112,840
Sewer	107,927
Capital grants, contributions and restricted interest	8,139
General receipts:	
Bond proceeds	103,311
Total receipts	<u>332,217</u>
Disbursements and transfers:	
Water	258,935
Sewer	117,346
Transfers	9,000
Total disbursements and transfers	<u>385,281</u>
Decrease in cash balance	(53,064)
Cash basis net assets beginning of year	<u>323,863</u>
Cash basis net assets end of year	<u>\$ 270,799</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Griswold completed the year, its governmental funds reported a combined fund balance of \$698,290, a decrease of approximately \$515,000 from last year's total of \$1,213,017. 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 \$6,382 from the prior year to \$60,254. The decrease was due to cut-backs in state aid anticipated by the Council.
- The Local Option Sales Tax Fund cash balance increased by \$1,413, to \$111,024 during the fiscal year. This increase was attributable to an increase in local option sales tax collections this fiscal year. The City intends to use this money for capital improvements, community betterment, community protection and property tax relief.
- The Community Center Fund cash balance decreased \$6,988 to \$150,893. The decrease was due to lower interest rates resulting in a reduction in receipts for operating costs.
- The Cemetery Trust Fund cash balance was \$110,783, an increase of \$623 from the previous year. The increase was the result of interest on investments recorded for the fiscal year.
- The Capital Projects Fund cash balance decreased by \$498,358 to \$165,927. This decrease was due to construction costs for the main street project in the current year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased \$40,327 to \$201,067. This decrease was due primarily to a decrease in the sale of water during the conversion to meters, the purchase of new meters and payments on the revenue bonds.
- The Sewer Fund cash balance decreased \$12,737 to \$69,732. The decrease was due to a decrease in sewer rental collections during the conversion to meters and a transfer of funds for equipment purchases.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 17, 2004 and resulted in an increase in operating disbursements of \$1,122,162. Most of the increase, approximately \$936,000, related to capital projects on the main street and water main extension. The City utilized grants, reimbursements from the Iowa Department of Transportation and the sale of bonds to absorb these additional costs.

DEBT ADMINISTRATION

At June 30, 2004, the City had \$1,824,922 in bonds and other long-term debt, compared to \$1,835,725 last year. The chart below segregates the City's debt into its component parts.

Outstanding Debt at Year-End	
	June 30, 2004
General obligation notes	\$ 295,000
Revenue bonds	727,411
Bank loans	27,511
Project warrants	775,000
Total	<u>\$1,824,922</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is \$1,097,511, below its constitutional debt limit of approximately \$1,272,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Griswold's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates and fees that will be charged for various City activities. The City's FY 2005 assessed value has increased \$146,540 from the FY 2004 level.

The proposed FY 2005 budget includes total receipts of \$775,845 and disbursements of \$769,467. This budget is considerably lower than the FY 2004 budget which included total receipts of \$1,687,241 and disbursements of \$1,674,603, including \$973,274 for capital projects not included in the FY 2005 budget.

The proposed FY 2005 levy is \$13.91504 per \$1,000 assessed valuation, an increase from \$13.90521 per \$1,000 in 2004.

These parameters were taken into account when adopting the budget for FY 2005.

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 Dawn Ridlen, City Clerk, 601 2nd Street, Griswold, IA 51535.

Basic Financial Statements

City of Griswold

Statement of Activities and Net Assets–Cash Basis

As of and for the year ended June 30, 2004

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 119,714	13,575	29,463	-
Public works	76,131	-	86,535	-
Culture and recreation	97,215	220	23,144	-
Community and economic development	27,174	-	623	-
General government	47,809	2,235	-	-
Debt service	868,921	-	-	-
Capital projects	1,080,229	-	-	555,267
Total governmental activities	2,317,193	16,030	139,765	555,267
Business type activities:				
Water	258,935	112,840	7,456	-
Sewer	117,346	107,927	683	-
Total business type activities	376,281	220,767	8,139	-
Total	\$ 2,693,474	236,797	147,904	555,267
General Receipts:				
Property and other city tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Grants and contributions not restricted to specific purpose				
Unrestricted interest on investments				
Project warrant and bond proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Fire department				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(76,676)	-	(76,676)
10,404	-	10,404
(73,851)	-	(73,851)
(26,551)	-	(26,551)
(45,574)	-	(45,574)
(868,921)	-	(868,921)
(524,962)	-	(524,962)
(1,606,131)	-	(1,606,131)
-	(138,639)	(138,639)
-	(8,736)	(8,736)
-	(147,375)	(147,375)
(1,606,131)	(147,375)	(1,753,506)
158,791	-	158,791
3,441	-	3,441
46,127	-	46,127
83,617	-	83,617
3,256	-	3,256
2,831	-	2,831
771,125	103,311	874,436
13,092	-	13,092
9,000	(9,000)	-
1,091,280	94,311	1,185,591
(514,851)	(53,064)	(567,915)
1,212,224	323,863	1,536,087
\$ 697,373	270,799	968,172
\$ 37,475	-	37,475
28,460	-	28,460
3,441	-	3,441
1,847	1,431	3,278
595,273	-	595,273
30,877	269,368	300,245
\$ 697,373	270,799	968,172

City of Griswold

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

As of and for the year ended June 30, 2004

	Special Revenue			
	General	Local Option Sales Tax	Community Center	Cemetery Trust
Receipts:				
Property tax	\$ 126,179	-	-	-
Tax increment financing	-	-	-	-
Other city tax	22,555	71,074	-	-
Licenses and permits	2,235	-	-	-
Use of money and property	8,705	-	12,846	623
Intergovernmental	10,656	-	-	-
Charges for service	-	-	-	-
Miscellaneous	27,072	-	340	-
Total receipts	197,402	71,074	13,186	623
Disbursements:				
Operating:				
Public safety	89,459	-	-	-
Public works	16,632	2,487	-	-
Culture and recreation	49,219	-	23,954	-
Community and economic development	-	27,174	-	-
General government	44,474	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	199,784	29,661	23,954	-
Excess (deficiency) of receipts over (under) disbursements	(2,382)	41,413	(10,768)	623
Other financing sources (uses):				
Project warrant proceeds, net of \$3,875 discount	-	-	-	-
Project warrants redeemed	-	-	-	-
Operating transfers in	-	-	4,000	-
Operating transfers out	(4,000)	(40,000)	(220)	-
Total other financing sources (uses)	(4,000)	(40,000)	3,780	-
Net change in cash balances	(6,382)	1,413	(6,988)	623
Cash balances beginning of year	66,636	109,611	157,881	110,160
Cash balances end of year	\$ 60,254	111,024	150,893	110,783
Cash Basis Fund Balances				
Reserved:				
Debt service	\$ -	-	-	-
Fire department	28,460	-	-	-
Unreserved:				
General fund	31,794	-	-	-
Special revenue funds	-	111,024	150,893	110,783
Capital projects fund	-	-	-	-
Total cash basis fund balances	\$ 60,254	111,024	150,893	110,783

See notes to financial statements.

Capital Projects	Nonmajor Governmental	Total
-	67,920	194,099
-	3,441	3,441
-	3,778	97,407
-	-	2,235
80	329	22,583
555,187	87,844	653,687
-	13,525	13,525
-	7,828	35,240
555,267	184,665	1,022,217
-	30,305	119,764
-	57,338	76,457
-	24,042	97,215
-	-	27,174
-	2,835	47,309
14,071	79,850	93,921
1,080,229	-	1,080,229
1,094,300	194,370	1,542,069
(539,033)	(9,705)	(519,852)
771,125	-	771,125
(775,000)	-	(775,000)
44,550	10,000	58,550
-	(5,330)	(49,550)
40,675	4,670	5,125
(498,358)	(5,035)	(514,727)
664,285	104,444	1,213,017
165,927	99,409	698,290
-	1,847	1,847
-	-	28,460
-	-	31,794
-	97,562	470,262
165,927	-	165,927
165,927	99,409	698,290

City of Griswold

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Governmental Funds

As of and for the year ended June 30, 2004

Total governmental funds cash balances (page 17) \$ 698,290

***Amounts reported for governmental activities in the Statement of
Activities and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's dental insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

(917)

Cash basis net assets of governmental activities (page 15)

\$ 697,373

Net change in cash balances (page 17)

\$ (514,727)

***Amounts reported for governmental activities in the Statement of
Activities and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's dental insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

(124)

Change in cash balance of governmental activities (page 15)

\$ (514,851)

See notes to financial statements.

City of Griswold

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

As of and for the year ended June 30, 2004

	Enterprise Funds			Internal Service Fund
	Water	Sewer	Total	Employee Dental
Operating receipts:				
Charges for service	\$ 112,840	107,927	220,767	1,143
Miscellaneous	3,993	30	4,023	-
Total operating receipts	116,833	107,957	224,790	1,143
Operating disbursements:				
Public safety	-	-	-	15
Public works	-	-	-	160
Culture and recreation	-	-	-	92
General government	-	-	-	1,000
Business type activities	236,654	63,004	299,658	-
Total operating disbursements	236,654	63,004	299,658	1,267
Excess (deficiency) of operating receipts over (under) operating disbursements	(119,821)	44,953	(74,868)	(124)
Non-operating receipts (disbursements):				
Interest on investments	3,464	652	4,116	-
Debt service	(22,281)	(54,342)	(76,623)	-
Bond proceeds, net of \$1,100 issue costs	103,311	-	103,311	-
Total non-operating receipts (disbursements)	84,494	(53,690)	30,804	-
Deficiency of receipts under disbursements	(35,327)	(8,737)	(44,064)	(124)
Operating transfers out	(5,000)	(4,000)	(9,000)	-
Net change in cash balances	(40,327)	(12,737)	(53,064)	(124)
Cash balances beginning of year	241,394	82,469	323,863	(793)
Cash balances end of year	\$ 201,067	69,732	270,799	(917)
Cash Basis Fund Balances				
Reserved for debt service	\$ -	1,431	1,431	-
Unreserved	201,067	68,301	269,368	(917)
Total cash basis fund balances	\$ 201,067	69,732	270,799	(917)

See notes to financial statements.

City of Griswold

Notes to Financial Statements

June 30, 2004

(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 1879 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water 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.

Blended Component Unit

The Griswold Rescue Squad is legally separate from the City but is so intertwined with the City that it is, in substance, part of the City. The Griswold Rescue Squad was organized under Chapter 504A of the Code of Iowa as a non-profit corporation. The Griswold Rescue Squad collects donations which are to be used to purchase items which are not included in the City's budget and to make donations to the City to help pay for equipment. The financial transactions have been reported as a Special Revenue Fund of the City.

Jointly Governed Organizations

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

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and 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 Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets 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 Local Option Sales Tax (LOST) Fund is used to account for certain local option sales tax collections. The collections in this fund are used for capital improvements, community betterment and community protection.

The Community Center Fund is used to account for funds left to the City by a former resident. The funds are used for the maintenance and general operations of the community center.

The Cemetery Trust Fund is used to account for funds held in trust from the Shepard Estate to the Griswold Cemetery Association.

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 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 waste water treatment and sanitary sewer system.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of dental insurance purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City of Griswold 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.

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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the culture and recreation and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2004 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 \$180,682 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Notes		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 45,000	15,225	30,000	25,245	75,000	40,470
2006	45,000	13,245	31,000	24,069	76,000	37,314
2007	45,000	11,230	32,000	22,854	77,000	34,084
2008	45,000	9,180	33,000	21,599	78,000	30,779
2009	55,000	7,085	35,000	20,306	90,000	27,391
2010-2014	60,000	4,470	194,000	80,046	254,000	84,516
2015-2019	-	-	236,000	38,811	236,000	38,811
2020	-	-	53,000	2,078	53,000	2,078
Total	\$ 295,000	60,435	644,000	235,008	939,000	295,443

Sewer Revenue Bonds

On June 7, 2000, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank, Iowa N.A. for the issuance of \$750,000 of sewer revenue bonds with an interest rate of 3.92%. The bonds were issued pursuant to the provisions of Sections 384.24A and 384.83 of the Code of Iowa for the purpose of paying the cost of constructing improvements and extensions to a municipal sanitary sewer system.

Drinking Water Revenue Bonds

On November 18, 2003, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank, Iowa N.A. for the issuance of \$110,000 of drinking water revenue bonds with an interest rate of 3.00%. The bonds were issued pursuant to the provisions of Sections 384.24A and 384.83 of the Code of Iowa for the purpose of paying the cost of constructing improvements and extensions to the water utility. Upon request, the Trustee will reimburse the City for costs as they are incurred. Should the project cost less than the original bond amount, the bond and the repayment schedule will be amended accordingly.

At June 30, 2004, the City had drawn \$104,411 of the \$110,000 authorized. A formal repayment schedule has not been adopted for the debt. The City has repaid \$21,000, leaving a balance of \$83,411 at June 30, 2004.

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

- (a) 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.

- (b) Sufficient monthly transfers shall be made to separate revenue bond sinking accounts within the Enterprise Funds for the purpose of making the bond principal and interest payments when due. The City has not established the required sinking accounts.

(4) Bank Loans Payable

On January 22, 1999, the City entered into an agreement with Rolling Hills Bank and Trust of Griswold to borrow \$50,000 at an interest rate of 5.25% to finance the construction of storm sewers. Beginning January 22, 2000, the City paid annual installments of \$11,630. The loan was paid in full during the year ended June 30, 2004.

On October 27, 2000, the City entered into an agreement with Rolling Hills Bank and Trust of Griswold to borrow \$51,769 at an interest rate of 6.25% to finance the purchase of a street sweeper. Beginning July 15, 2001, City paid annual installments of \$12,167, with the final payment due July 15, 2005. The unpaid balance at June 30, 2004 totaled \$22,227.

On December 18, 2001, the Griswold Fire Department entered into an agreement with Rolling Hills Bank and Trust of Griswold to borrow \$15,000 at an interest rate of 6.5% to purchase a fire truck. The unpaid balance at June 30, 2004 totaled \$5,284.

(5) Project Warrants

On June 1, 2004, the City issued project warrants for \$775,000 to refund project warrants due June 1, 2004. The project warrants are due June 1, 2005 and will be repaid through the issuance of bonds or notes.

(6) 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 covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2004 was \$9,193, equal to the required contribution for the year.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Community Center	General	<u>\$ 4,000</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	<u>10,000</u>
Capital Projects	Special Revenue:	
	Road Use Tax	5,000
	Local Option Sales Tax	30,000
	Community Center	220
	Project Playground	330
	Enterprise:	
	Water	5,000
	Sewer	4,000
		<u>44,550</u>
Total		<u>\$ 58,550</u>

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

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$1,762 during the year ended June 30, 2004.

(9) 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 during the year ended June 30, 2004.

(10) Deficit Fund Balance

The Internal Service, Employee Dental Fund had a deficit balance of \$917 at June 30, 2004. The deficit balance was a result of payments to dental plans exceeding contributions from operating funds.

(11) Contractual Commitment

The City has entered into a construction contract totaling \$1,153,808 for main street improvements. The unpaid contract balance as of June 30, 2004 totaled \$54,731, which will be paid as work on the project progresses.

(12) Accounting Change

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; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Required Supplementary 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

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required to be Budgeted
Receipts:			
Property tax	\$ 194,099	-	-
Tax increment financing	3,441	-	-
Other city tax	97,407	-	-
Licenses and permits	2,235	-	-
Use of money and property	22,583	4,116	226
Intergovernmental	653,687	-	-
Charges for service	13,525	220,767	13,525
Miscellaneous	35,240	4,023	6,682
Total receipts	1,022,217	228,906	20,433
Disbursements:			
Public safety	119,764	-	21,434
Public works	76,457	-	-
Culture and recreation	97,215	-	-
Community and economic development	27,174	-	-
General government	47,309	-	-
Debt service	93,921	-	-
Capital projects	1,080,229	-	-
Business type activities	-	376,281	-
Total disbursements	1,542,069	376,281	21,434
Deficiency of receipts under disbursements	(519,852)	(147,375)	(1,001)
Other financing sources, net	5,125	94,311	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(514,727)	(53,064)	(1,001)
Balances beginning of year	1,213,017	323,863	44,191
Balances end of year	\$ 698,290	270,799	43,190

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
194,099	193,845	193,969	130
3,441	3,000	3,000	441
97,407	88,483	97,890	(483)
2,235	2,120	2,120	115
26,473	28,640	19,940	6,533
653,687	361,774	882,274	(228,587)
220,767	260,560	237,560	(16,793)
32,581	7,850	9,850	22,731
<u>1,230,690</u>	<u>946,272</u>	<u>1,446,603</u>	<u>(215,913)</u>
98,330	103,555	103,555	5,225
76,457	103,306	108,856	32,399
97,215	83,487	87,617	(9,598)
27,174	30,000	30,000	2,826
47,309	50,395	52,195	4,886
93,921	56,055	116,186	22,265
1,080,229	973,274	1,909,625	829,396
376,281	253,562	367,762	(8,519)
<u>1,896,916</u>	<u>1,653,634</u>	<u>2,775,796</u>	<u>878,880</u>
(666,226)	(707,362)	(1,329,193)	662,967
99,436	720,000	770,000	(670,564)
(566,790)	12,638	(559,193)	(7,597)
<u>1,492,689</u>	<u>769,379</u>	<u>1,455,218</u>	<u>37,471</u>
<u>925,899</u>	<u>782,017</u>	<u>896,025</u>	<u>29,874</u>

City of Griswold

Notes to Required Supplementary Information–Budgetary Reporting

June 30, 2004

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 blended component units and Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects 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, one budget amendment increased budgeted disbursements by \$1,122,162. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the culture and recreation and business type activities functions.

Other Supplementary Information

City of Griswold

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

As of and for the year ended June 30, 2004

	Special		
	Road Use Tax	Employee Benefits	Tax Increment Financing
Receipts:			
Property tax	\$ -	24,212	-
Tax increment financing	-	-	3,441
Other city tax	-	1,359	-
Use of money and property	-	-	-
Intergovernmental	86,536	-	-
Charges for service	-	-	-
Miscellaneous	-	-	-
Total receipts	<u>86,536</u>	<u>25,571</u>	<u>3,441</u>
Disbursements:			
Operating:			
Public safety	-	8,871	-
Public works	51,942	5,396	-
Culture and recreation	-	8,247	-
General government	-	2,835	-
Debt service	23,795	-	-
Total disbursements	<u>75,737</u>	<u>25,349</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>10,799</u>	<u>222</u>	<u>3,441</u>
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	(5,000)	-	-
Total other financing sources (uses)	<u>(5,000)</u>	<u>-</u>	<u>-</u>
Net change in cash balances	5,799	222	3,441
Cash balances beginning of year	<u>31,676</u>	<u>2,478</u>	<u>-</u>
Cash balances end of year	<u>\$ 37,475</u>	<u>2,700</u>	<u>3,441</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ -	-	-
Unreserved:			
Special revenue funds	<u>37,475</u>	<u>2,700</u>	<u>3,441</u>
Total cash basis fund balances	<u>\$ 37,475</u>	<u>2,700</u>	<u>3,441</u>

See accompanying independent auditor's report.

Revenue							
Project Playground	Seized Property	Safety Programs	Library Gift and Bequest	Griswold Rescue Squad	Debt Service		Total
-	-	-	-	-	43,708		67,920
-	-	-	-	-	-		3,441
-	-	-	-	-	2,419		3,778
89	-	-	14	226	-		329
-	-	-	1,308	-	-		87,844
-	-	-	-	13,525	-		13,525
-	-	-	1,146	6,682	-		7,828
89	-	-	2,468	20,433	46,127		184,665
-	-	-	-	21,434	-		30,305
-	-	-	-	-	-		57,338
422	-	-	15,373	-	-		24,042
-	-	-	-	-	-		2,835
-	-	-	-	-	56,055		79,850
422	-	-	15,373	21,434	56,055		194,370
(333)	-	-	(12,905)	(1,001)	(9,928)		(9,705)
-	-	-	-	-	10,000		10,000
(330)	-	-	-	-	-		(5,330)
(330)	-	-	-	-	10,000		4,670
(663)	-	-	(12,905)	(1,001)	72		(5,035)
5,717	1,325	98	17,184	44,191	1,775		104,444
5,054	1,325	98	4,279	43,190	1,847		99,409
-	-	-	-	-	1,847		1,847
5,054	1,325	98	4,279	43,190	-		97,562
5,054	1,325	98	4,279	43,190	1,847		99,409

City of Griswold
Schedule of Indebtedness
Year ended June 30, 2004

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Fire equipment	Feb 1, 1999	4.00-4.70%	\$ 195,000
Street improvement	Jun 1, 2001	4.10-5.00	250,000
Total			
Revenue bonds:			
Sewer	Jun 7, 2000	3.92%	\$ 750,000
Drinking water	Nov 18, 2003	3.00	110,000
Total			
Bank loans:			
Storm sewer	Jan 22, 1999	5.25%	\$ 50,000
Street sweeper	Oct 27, 2000	6.25	51,769
Fire truck	Dec 18, 2001	6.50	15,000
Total			
Project warrants:			
Main street	Jun 1, 2003	1.90%	\$ 775,000
Main street refunding	Jun 1, 2004	1.85	775,000
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
125,000	-	20,000	105,000	5,635
210,000	-	20,000	190,000	9,820
\$ 335,000	-	40,000	295,000	15,455
672,000	-	28,000	644,000	26,342
-	104,411	21,000	83,411	1,281
\$ 672,000	104,411	49,000	727,411	27,623
11,048	-	11,048	-	580
32,371	-	10,144	22,227	2,023
10,306	-	5,022	5,284	642
\$ 53,725	-	26,214	27,511	3,245
775,000	-	775,000	-	14,071
-	775,000	-	775,000	-
\$ 775,000	775,000	775,000	775,000	14,071

City of Griswold
 Bond and Note Maturities
 June 30, 2004

Year Ending June 30,	General Obligation Notes					Total
	Fire Equipment		Street Improvement			
	Issued Feb 1, 1999		Issued Jun 1, 2001			
	Interest Rates	Amount	Interest Rates	Amount		
2005	4.40%	\$ 20,000	4.40%	\$ 25,000	\$ 45,000	
2006	4.45	20,000	4.50	25,000	45,000	
2007	4.50	20,000	4.60	25,000	45,000	
2008	4.60	20,000	4.70	25,000	45,000	
2009	4.70	25,000	4.80	30,000	55,000	
2010		-	4.90	30,000	30,000	
2011		-	5.00	30,000	30,000	
2012		-		-	-	
2013		-		-	-	
2014		-		-	-	
2015		-		-	-	
2016		-		-	-	
2017		-		-	-	
2018		-		-	-	
2019		-		-	-	
2020		-		-	-	
Total		<u>\$ 105,000</u>		<u>\$ 190,000</u>	<u>\$ 295,000</u>	

See accompanying independent auditor's report.

Revenue Bonds	
Sewer	
Issued Jun 7, 2000	
Interest	
Rates	Amount
3.92% \$	30,000
3.92	31,000
3.92	32,000
3.92	33,000
3.92	35,000
3.92	36,000
3.92	37,000
3.92	39,000
3.92	40,000
3.92	42,000
3.92	44,000
3.92	45,000
3.92	47,000
3.92	49,000
3.92	51,000
3.92	53,000
	<hr/>
	\$ 644,000
	<hr/> <hr/>

City of Griswold



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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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 Griswold, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated February 11, 2005. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2003.

Except as noted in the Independent Auditor's Report, 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 Griswold's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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, 2004 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 audit statutory comments have been resolved except for items (8) and (10).

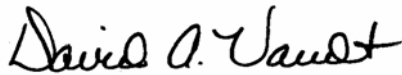
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Griswold's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 Griswold's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

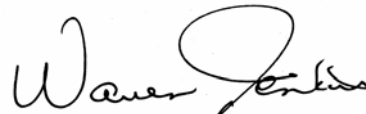
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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, of the reportable conditions described above, we believe items (A) and (B) are material weaknesses. Prior audit reportable conditions have been resolved except for items (A), (B) and (D).

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 Griswold and other parties to whom the City of Griswold 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 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 11, 2005

City of Griswold
Schedule of Findings
Year ended June 30, 2004

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (A) Segregation of Duties – One important element in designing internal control to safeguard assets and reasonably ensure the reliability of the accounting records is the concept of segregation of duties. When duties are properly segregated, the activities of one employee act as a check of those of another. One person has control over each of the following areas:

- (1) Cash–handling petty cash, reconciling and depositing.
- (2) Receipts–receiving, recording and custody.
- (3) Utility billings–billing, collecting, depositing, posting to customer accounts and reconciliation of billings to collections and delinquent accounts.

Recommendation–We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available personnel. Evidence of review of reconciliations should be documented by initials of the independent reviewer.

Response–We will review this and make changes to include documented reviews.

Conclusion–Response accepted.

- (B) Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation–A listing of delinquent accounts should be prepared on a monthly basis. Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period and to reconcile collections to deposits. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response – We will do the recommended monthly reconciliation of utility billings, collections and delinquencies.

Conclusion–Response accepted.

City of Griswold

Schedule of Findings

Year ended June 30, 2004

- (C) Electronic Data Processing Systems – During our review of internal control, the existing control activities in the City’s computer-based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the City’s computer-based systems were noted:

The City does not have written policies for:

- Requiring password changes every 60 to 90 days or to maintain password privacy and confidentiality including password history.
- Requiring a log off function.
- Developing a disaster recovery plan.
- Requiring backup tapes to be stored off site and requiring monthly backups.

Recommendation–The City should develop written policies addressing the above items in order to improve the City’s control over computer based systems.

Response–We will establish policies for all of these recommendations.

Conclusion–Response accepted.

- (D) Volunteer Fire Department Records–The Volunteer Fire Department does not prepare financial statements and does not provide investment information. These transactions and the resulting balances are not recorded in the Clerk’s records. Chapter 384.20 of the Code of Iowa states in part that “a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose.”

In addition, the City, through the Volunteer Fire Department, borrowed funds on behalf of the Griswold Rural Fire Protection Association (Association) to purchase a fire truck. The Association makes the debt payments directly. However, since the debt is in the City’s name, this activity should be recorded in the City’s records and budget.

Recommendation– For better accountability, financial and budgetary control, all City financial activity and balances should be recorded in the Clerk’s records.

Response–We will require the Fire Department to submit financial reports. We will require that all City financial activity be recorded in the Clerk’s records.

Conclusion–Response accepted.

City of Griswold

Schedule of Findings

Year ended June 30, 2004

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories—A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- (2) Certified Budget—Disbursements during the year ended June 30, 2004 exceeded the amounts budgeted in the culture and recreation and business type activities 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. Also, the original budget figures used in the budget amendment were incorrect, which made the amended amounts wrong.

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

Response - We will amend the budget in sufficient amounts in the future.

Conclusion—Response accepted.

- (3) Questionable Disbursements—No disbursements that 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—Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Lee Peebles, Council Member, Owner of Peebles Plumbing	Repair parts	\$ 81
Tom Sandbothe, Council Member Owner of Sandbothe Firestone	Repair parts	1,681

In accordance with Chapter 362.5(11) of the Code of Iowa, these transactions do not appear to represent conflicts of interest since total transactions with each individual were less than \$2,500 during the fiscal year.

- (6) Bond Coverage—Surety bond coverage of the 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.

City of Griswold

Schedule of Findings

Year ended June 30, 2004

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

(8) Salaries – The City did not publish annual gross salaries in accordance with Chapter 372.13(6) of the Code of Iowa and an Attorney General's opinion dated April 12, 1978.

Recommendation–The City should publish salaries as required.

Response–We will publish annual salaries.

Conclusion–Response accepted.

(9) 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.

(10) Revenue Bonds – The City has not established the sinking accounts required by the sewer and water revenue bond resolutions.

Recommendation – The City should establish these accounts and make the required transfers.

Response–We will establish these and pay debt from the required funds.

Conclusion–Response accepted.

(11) Financial Condition–The Internal Service Fund had a deficit balance at June 30, 2004 of \$917.

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

Response–Contributions are made at the end of the calendar year to cover prior year expenses. The deficit will be eliminated at the end of the calendar year.

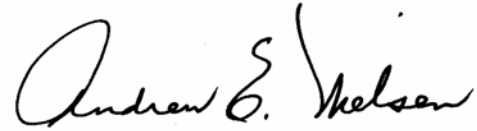
Conclusion–Response accepted.

City of Griswold

Staff

This audit was performed by:

Cynthia L Weber, CPA, Manager
Paul F. Kearney, CGFM, Senior Auditor
Amanda S. Guthrie, 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