



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

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NEWS RELEASE

FOR RELEASE

December 15, 2008

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

The City's receipts totaled \$15,937,682 for the year ended June 30, 2008, a 59 percent increase over 2007. The receipts included \$3,350,854 in property tax, \$966,128 from tax increment financing, \$3,758,569 from charges for service, \$671,255 from operating grants, contributions and restricted interest, \$1,627,787 from capital grants, contributions and restricted interest, \$5,287,809 from bond and lease proceeds, \$187,854 from unrestricted interest on investments and \$87,426 from other general receipts.

Disbursements for the year totaled \$11,697,233, a 5 percent increase over the prior year, and included \$4,379,280 for capital projects, \$1,834,602 for debt service and \$1,066,345 for public safety. Also, disbursements for business type activities totaled \$2,156,383.

The increase in receipts is due primarily to bond and lease proceeds received during the year.

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/reports.htm>.

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CITY OF GRIMES

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

JUNE 30, 2008

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City of Grimes

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2008)		
Tom Armstrong	Mayor	Jan 2010
Michael Grove	Mayor Pro Tem	Jan 2010
Tami Evans	Council Member	Jan 2008
Tom Shatava	Council Member	Jan 2008
Jill Altringer	Council Member	Jan 2010
Ron Long	Council Member	Jan 2010
Kelley Brown	Administrator/Clerk	Indefinite
Barbara Alexander	Treasurer	Indefinite
Tom Henderson	Attorney	Indefinite
(After January 2008)		
Tom Armstrong	Mayor	Jan 2010
Michael Grove	Mayor Pro Tem	Jan 2010
Jill Altringer	Council Member	Jan 2010
Ron Long	Council Member	Jan 2010
Tami Evans	Council Member	Jan 2012
Craig Patterson	Council Member	Jan 2012
Kelley Brown	Administrator/Clerk	Indefinite
Barbara Alexander	Treasurer	Indefinite
Tom Henderson	Attorney	Indefinite

City of Grimes



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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 Grimes, Iowa, as of and for the year ended June 30, 2008, 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 Grimes' management. 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 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.

In our opinion, 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 Grimes as of June 30, 2008, 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.

In accordance with Government Auditing Standards, we have also issued our report dated October 24, 2008 on our consideration of the City of Grimes' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 18 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grimes' basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 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, 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

October 24, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Grimes 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, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- Receipts and transfers of the City's governmental activities increased 71.1%, or approximately \$5,500,000, from fiscal year 2007 to fiscal year 2008. This was a very busy year for the City. Over \$6,000,000 of contracts for capital improvements have been entered into. The South 19th Street and Little Beaver Assessment Projects were completed as well as the South 6th Street Assessment Project, the extension of water and sewer to the new elementary school and the Gould Heights Meter Project which facilitated the City selling water to the Gould Heights Water Company. The Assessment Projects, as well as a sewer capital agreement, provided over \$1 million in developer reimbursements. Once again, it should be noted these partnerships with developers greatly facilitated the completion of these improvements.

General Fund property tax revenues increased approximately \$87,000, which is the result of the regular taxable valuation increase from \$221,212,526 to \$239,574,657.

Residential and commercial construction decreased ever so slightly this year, resulting in a difference of approximately \$48,000 in revenue from building permit fees. However, there was an increase of approximately \$4,000 in water tapping fees and an increase of approximately \$29,000 in sewer tapping fees. These increases are due to the growth of commercial building construction in the City, as evidenced by the increase in commercial valuation from \$98,581,133 in 2007 to \$114,571,090 in 2008.

Also, interest from investments increased approximately \$83,000, mainly due to money management techniques and the conversion to higher interest accounts.

The largest decrease in revenues was experienced in the building development fee account. This account is the reimbursement of billed engineering and inspection fees for site plans, plats and public infrastructure improvements. There was a reduction of \$42,425 from last year. Although there was only a slight decrease in building permits, actual platting of developments decreased, resulting in less inspection time for public infrastructure such as streets, water and sewer. This also accounts for the decrease in disbursements for these engineering fees of \$25,111.

Reversing the trend from last year, road use tax receipts experienced a slight increase of \$13,645, following a decrease of \$2,231 in 2007. Developer reimbursement proceeds from the 54th Avenue Road Construction Project and the South 6th Street Road Construction Project also resulted in receipts of approximately \$551,000 in the Debt Service Fund.

The Grimes Community Complex (the old Dallas Center-Grimes Middle School) was also opened the summer of 2006 for use by the Summer Recreation program. Hours for general use by the public were also made available. Additional programming is being planned for this building, including the development of a master plan for its future use. The resulting programming was expanded and receipts increased \$6,801. Four other rooms were also revamped to offer more opportunities for usage. The YMCA also offered programming through this building. This summer a rental usage program was implemented. Patrons are charged for key cards to access the building. The City Council will be re-evaluating the usage policy in early 2009.

Fire & Rescue charges increased approximately \$48,000 due to better billing and collection procedures as well as an increase in the number of calls. The county library tax subsidy from the Polk County Board of Supervisors decreased \$10,889 and is expected to decrease every year until this program is phased out.

- Disbursements for the City's governmental activities increased 5.0%, or approximately \$453,000, from fiscal year 2007 to fiscal year 2008. The net difference in disbursements, after eliminating the effects of capital projects and debt service, is an increase of approximately \$703,000 from approximately \$2,624,000 in 2007 to approximately \$3,327,000 in fiscal year 2008. Spending for the public safety function increased from \$824,398 to \$1,066,345. Most of this increase can be accounted for in the increase in the hours in the Polk County Sheriff's contract of 40 hours per week. This resulted in an increase of \$91,000. The City of Grimes also hired one full time and an additional full time-equivalent fire fighter/paramedic to be on staff during the day for an increase in spending of \$138,000. Engineering disbursements actually decreased \$8,000. The public works function spending increased approximately \$278,000 because more road use tax funds were expended due to the construction of a new maintenance building, street work, snow removal and personnel costs were higher due to the addition of another employee. Vehicle maintenance and fuel prices were also higher due to additional snow removal and the general increase in fuel costs. Culture and recreation function spending also increased approximately \$95,000. Additional funds of \$18,000 were disbursed because of the addition of a full time Parks and Recreation Director hired in February. Additional salaries of \$10,000 helped accommodate the increasing numbers in the Summer Recreation programs. Utility increases and park capital improvements resulted in an increase of \$38,000. The Library also expended \$25,200 in additional funds due to the addition of a filer and material and utility costs. Community and economic development expended \$83,000 in additional funds this year due to a loan to a new business in town of \$50,000 and \$30,000 in operational invoices due in 2007 as well as additional advertising. Notable capital improvements for 2008 include the completion of the South 19th and Little Beaver Roadway Assessment Projects, the Highway 141 Sanitary Sewer Project extending sewer to the new Wal-Mart site, the South 11th Street Assessment Project providing for better access to the Wal-Mart and YMCA sites, the James Street Water and Sewer Project extending water and sewer to the site of the new elementary school in Grimes, Northridge Elementary and the installation of a large meter pit to facilitate the sale of water to the Gould Heights (Thorpe) Water system. In addition, the East 1st Street Paving Project was initiated in July 2008 providing for the conversion of this section of road from a rural section to an urban section with curb and gutter, turning lanes and traffic signals.
- The City's governmental activities total cash basis net assets increased 317%, or approximately \$3,643,000, from June 30, 2007 to June 30, 2008. There was a lot of activity in the Capital Projects Fund, resulting in an increase in the fund balance of \$2,721,322. Proceeds from a \$5.2 million bond issue were received in the Capital Projects Fund, \$700,000 was received for the purchase of park land adjacent to Northridge Elementary School and the remaining \$4.5 million was for road construction for the South 19th and Little Beaver Assessment Project, the finalization of the 54th Avenue and South 6th Street Assessment Projects and the South 11th Street Assessment Project. All in all, with the pre-paid assessments, development agreement proceeds, TIF revenues, bond proceeds and RISE reimbursements, \$6.196 million was received and \$4.332 million was disbursed. The General Fund increased \$372,530. The Road Use Tax Fund increased \$74,758, which will be incorporated into fiscal year 2009 transportation capital projects and will be disbursed. The Debt Service Fund increased \$491,539 because proceeds are accumulating from developer assessments that are not yet sufficient for prepayment on the bond at this time and proceeds from the completion of the 54th Avenue and South 6th Street Assessment Projects as noted

above. The other nonmajor governmental fund balances increased \$5,041, mostly due to the transfer of emergency funds offset by an increase in employee benefits property tax receipts, county library tax and conservative spending. The Council continues to be prudent in its budgeting and has heeded previous cautions by auditors to use fund balances versus tax collections wherever possible.

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 data provided in the basic financial statements.

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which 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 water system, the sanitary sewer system and solid waste disposal. 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 Tax Increment Financing, 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.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City, and the solid waste fund.

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

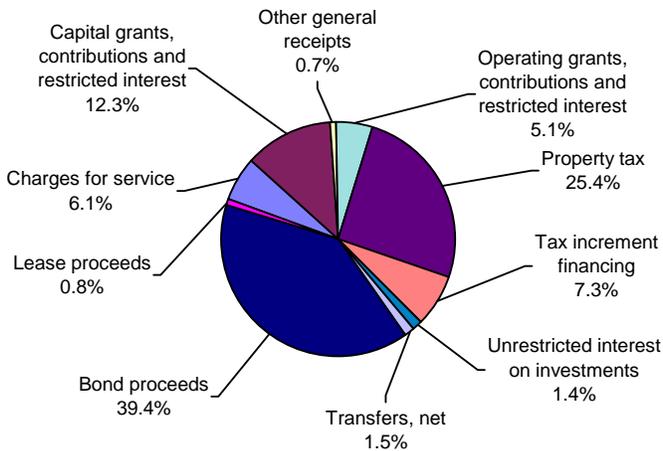
GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago from approximately \$1.149 million to approximately \$4.792 million. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

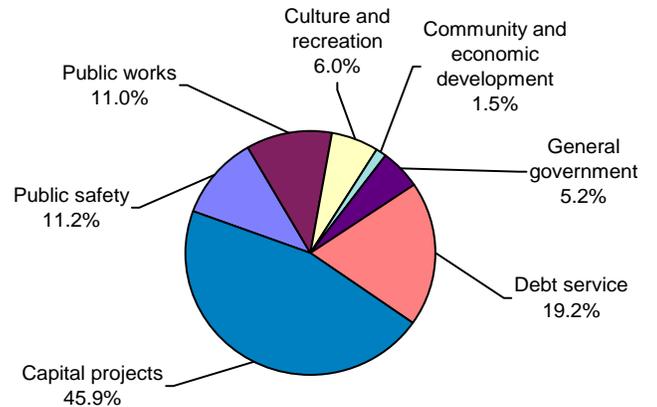
Changes in Cash Basis Net Assets of Governmental Activities

	Year ended June 30,	
	2008	2007
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 804,837	734,152
Operating grants, contributions and restricted interest	671,255	594,819
Capital grants, contributions and restricted interest	1,627,787	2,265,570
General receipts:		
Property tax	3,350,854	2,902,319
Tax increment financing	966,128	761,226
Unrestricted interest on investments	187,854	104,751
Bond proceeds	5,185,937	-
Lease proceeds	101,872	-
Other general receipts	87,426	63,411
Transfers, net	200,000	280,000
Total receipts and transfers	13,183,950	7,706,248
Disbursements:		
Public safety	1,066,345	824,398
Public works	1,045,823	767,594
Health and social services	-	6,067
Culture and recreation	575,730	480,494
Community and economic development	141,481	58,800
General government	497,589	486,222
Debt service	1,834,602	1,371,799
Capital projects	4,379,280	5,092,309
Total disbursements	9,540,850	9,087,683
Increase (decrease) in cash basis net assets	3,643,100	(1,381,435)
Cash basis net assets beginning of year	1,149,102	2,530,537
Cash basis net assets end of year	\$ 4,792,202	1,149,102

Receipts by Source



Disbursements by Function



The City's total receipts and transfers for governmental activities increased 71%. The total cost of all programs and services increased 5.0%, or \$453,167. No programs were deleted this year and there continues to be an increase in the recreational programming at the Grimes Community Complex. A significant increase in tax receipts resulted from an increase in regular taxable valuation from \$221,212,526 to \$239,574,657. Regular taxable valuation increased 8.3%, or \$18,362,131. Property tax receipts, not including TIF proceeds or other city taxes, increased \$448,535. The City also completed large transportation and utility infrastructure projects this year, resulting in \$1 million in reimbursements from developer agreements.

The City's property tax rates for fiscal year 2008 increased slightly from fiscal year 2007, with a rate of \$12.925 per \$1,000 of taxable valuation for FY 2008 versus \$12.746 per \$1,000 of taxable valuation for FY 2007. The rollback percentage decreased from 45.99% to 45.56%. The net result of the tax rate increasing slightly and the decrease in the rollback resulted in a net increase in property tax to the property owner. The effect on a property valued at \$150,000 was an increase in tax of \$4.00. The residential rollback percentage is projected to further decrease to 44.08% and the tax rate has increased to \$12.962 per \$1,000 of taxable valuation for FY 2009. This nominal increase coupled with the decrease in the rollback has a result of decreasing the net city taxes paid by the homeowner of that same \$150,000 home by \$28.89. Note, however, the tax levy to property owners may still increase at a higher percentage due to an overall increase in the valuation of their property or an increase in school, county or other tax levies.

The cost of all governmental activities this year was approximately \$9.541 million compared to approximately \$9.088 million last year. However, as shown in the Statement of Activities and Net Assets on pages 20-21, the amount taxpayers ultimately financed for these activities was only \$6.437 million because some of the cost was paid by those directly benefiting from the programs (\$804,837), by other governments and organizations that subsidized certain programs with operating grants, contributions and restricted interest of \$671,255 or from capital grants, contributions and restricted interest (developer agreements, etc.) of \$1,627,787. Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in fiscal year 2008 from \$7,706,248 to \$13,183,950, principally due to \$5.186 million received from a bond issue. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$4,316,982 in tax (some of which could only be used for certain programs) and with other receipts, such as loan proceeds, interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2008	2007
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 1,664,598	1,411,397
Sewer	1,098,297	1,022,803
Solid waste	190,837	168,266
General receipts:		
Unrestricted interest on investments	-	63
Total receipts	<u>2,953,732</u>	<u>2,602,529</u>
Disbursements and transfers:		
Water	1,160,131	1,088,405
Sewer	780,176	705,133
Solid waste	216,076	211,948
Transfers, net	200,000	280,000
Total disbursements and transfers	<u>2,356,383</u>	<u>2,285,486</u>
Increase in cash basis net assets	597,349	317,043
Cash basis net assets beginning of year	<u>1,602,834</u>	<u>1,285,791</u>
Cash basis net assets end of year	<u>\$ 2,200,183</u>	<u>1,602,834</u>

Total business type activities receipts for the fiscal year were approximately \$3.0 million compared to approximately \$2.6 million last year. This increase was due primarily to an increase in water, sewer and solid waste users as a result of the continuous growth in the City of Grimes and an increase in the water and sewer tapping fees. The increase in water and sewer tapping fees over the last few years was largely due to an ordinance change intended to accommodate the line replacement costs for the entire city versus having different charges for each development.

The cash balance increased \$597,349 over the prior year because of the strong fiscal management in this area to increase balances to pay for capital projects, thus decreasing debt service. Although revenue only increased 13.5%, disbursements and transfers increased 3.1%. Thus, the overall effect of the prior year's increase in net assets of \$317,043 remained relatively steady. Total disbursements and net transfers for the fiscal year increased from approximately \$2.285 million to approximately \$2.356 million in fiscal year 2008. This was an increase of \$70,897, or 3.10%.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Grimes completed the year, its governmental funds reported a combined fund balance of \$4,792,202, an increase of \$3,643,100 from last year's total of \$1,149,102. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$372,530 over the prior year to \$2,110,419. This increase was due to the increase in total valuation resulting in an increase in property tax received. General Fund receipts increased \$325,211 and disbursements increased \$508,334. The City continues to monitor taxes and ending fund balances to determine the balance between having money in reserve for unforeseen emergencies versus keeping taxes at a consistent level.
- The Special Revenue, Road Use Tax Fund cash balance increased \$74,758 to \$543,093 during the fiscal year. The ending balance of \$543,093 is being held to facilitate road construction projects in fiscal year 2009. The City is committed to the continued use of road use tax receipts for major construction projects versus operations of the street department.
- The Special Revenue, Tax Increment Financing Fund (TIF) was established years ago to finance projects whereby an investment by the City in infrastructure results in an overall larger tax base. The premise of the use of TIF can be illustrated in this example. The City of Grimes designated the area east of Little Beaver to Highway 141 and south to Urbandale as an urban renewal area. The City passed bonds and used TIF financing to pay for the sewer, water, road improvements and the signals at 54th and Highway 141. As a result of that investment, this area has been converted from fields into businesses. The increase in tax revenue obtained from the growth in this urban renewal area is then first used to pay off the debt incurred to extend the utilities to this area. After the debt has been paid, the City, County and School District gain the benefit of the increased tax revenue. The resulting benefit to the citizens of Grimes and the Dallas Center-Grimes School District is an increase in the valuation of the City, thus the increase of tax revenue needed to provide services. Traditionally, the City Council has only used TIF financing to promote commercial or industrial development. These are taxed at 100% of their valuation versus residential valuation which is taxed at 45.56% for fiscal year 2008. The City is currently certifying TIF debt for the payment of the utilities extended in the example above, transportation, trail system planned improvements, signals at Highway 141 and NW 62nd/S 19th, the fire station addition, sports complex and the paving of James Street. The area east of Highway 141 and south of South 11th was amended into the urban renewal area so TIF financing could be used for the signals at Highway 141 and NW 62nd/S 19th and for the South 11th project. The City has also completed the process of amending the remaining portion of the annexed area into the urban renewal area to

give the City ultimate flexibility for the use of TIF for economic development as well as improvements to lower valued properties. TIF has recently been used in developer agreements whereby the developer fronts the money for the infrastructure improvements. The developer is then repaid his investment from the taxes generated from the increment in valuation caused by the development of his property. The developer is given the incentive to repay his self-incurred debt from the timely development of his property.

At the end of the fiscal year, the cash balance was \$22,197, a decrease of \$22,090 from the previous year. The City only certifies enough TIF receipts to pay off the current year's portion of the debt each year. If the resulting taxes generated from the increment in valuation are more than needed to make the bond payments, the City, County and School District receive the benefit of that tax revenue.

- The Debt Service Fund cash balance increased \$491,539 to \$1,137,423 during the fiscal year. This increase was due to the receipt of developer reimbursement proceeds from the 54th Ave Road Assessment Project, of which most of the assessment was prepaid, and the South 6th Street Assessment project. The developer reimbursement proceeds will be held until the bonds can be called.
- The Capital Projects Fund cash balance increased \$2,721,322 to \$530,550 during the fiscal year. The increase was due to the timing of project payments near the close of the 2008 fiscal year and the timing of the passage of the \$5.2 million bond issue.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased \$304,467 to \$967,472, due primarily to the fact water receipts exceeded the actual disbursements paid. In addition, the balance still allowed \$200,000 to be transferred to the Capital Projects Fund. Higher utility costs and chemical costs account for the increase in disbursements of \$71,753. Note – water and sewer tapping fees are used exclusively to finance maintenance and replacement of existing lines.
- The Sewer Fund cash balance increased \$318,121 to \$1,188,208. \$75,494 of this increase is accounted for in the actual sewer usage sales as well as sewer tapping fees.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget twice. The first amendment was approved on March 11, 2008. This amendment provided for an increase in other financing sources, which includes bond sales, lease proceeds, developer reimbursements and special assessments of \$6.5 million. This amendment also provided for an increase in revenue for the interest received on investments and leasing of city property of \$204,139. There was a decrease in revenue amended for charges for service and building development fees. There was a decrease in disbursements for public safety of \$155,174 to account for the decrease in the building development fees as it is directly correlated with the loss of revenue as indicated above. Debt service was increased \$124,387 to account for the purchase of the truck and snow plow lease. Capital projects was amended \$2,345,000 to account for the projected payments for the ongoing capital projects and for the new ones: South 6th Street, South 19th Street/Little Beaver, Looping of the South Water Main, Gould Heights Meter Pit, South 11th Street Project and the 54th Avenue Road Construction Project. Business type activities was also amended \$43,697 due to an increase in personnel costs, adding an extra ½ person. As noted many times in this report, the capital improvements completed this year have been phenomenal. What is even more noteworthy is most of it was financed through outside funding, such as developer agreement reimbursements and assessments. The City traditionally amends the budget in May of the current fiscal year because the exact timing and payment of capital improvement projects is seldom known at the time the original City budget is certified in March of the previous year, but this year the progress of the capital projects necessitated an earlier amendment.

The second amendment was approved on May 13, 2008. This amendment provided for an increase in disbursements in the community and economic development function due to a loan given to promote economic development and the establishment of a new business in Grimes. As well, an additional \$500,000 was amended into the capital projects function for potential improvements on Main Street.

When all was said and done and the final numbers were calculated as of June 30, 2008, the variations between what was budgeted and what was actually received or disbursed are as follows. The public safety function disbursed \$76,363 less than what was budgeted, mainly due to the billable engineering disbursements as indicated in the financial highlights. Costs for infrastructure and plat inspections were down this year. As well, non-billable engineering disbursements were down. Furthermore, the Polk County Sheriff's contract and the wages budgeted for part time fire and rescue were down. The culture and recreation function came in \$51,662 under budget, mainly due to lower salary and benefit costs for the Library due to the timing of the hiring of full time personnel. Utilities were also lower than originally budgeted. The Park Department did not disburse its budgeted \$16,365 from park development for capital improvements but will in the 2009 budget year. In addition, the Park Department didn't disburse \$12,917 of its operating budget due to the timing of the hiring of the Parks and Recreation Director. The public works function disbursed \$91,978 less than what was budgeted due to the RUT Fund which had \$107,545 left on June 30, 2008. As stated earlier, the RUT Fund is always used for major street repairs. These repairs will be completed in the 2009 budget year. The actual operating fund for the public works function was over by \$9,898, mainly due to the price of calcium and salt which was needed due to the higher amounts of snow and ice this last winter. The community and economic development function didn't disburse \$23,519 of its budget, mainly due to hotel/motel tax that was budgeted for use but was not disbursed. The general government function came in \$54,453 under budget, mostly due to wages from vacancies. The capital projects function was \$1.296 million under budget due to the timing of projects, which consistently happens every budget year. Water and sewer operating utilities were \$21,953 and \$27,729 under budget, respectively. The water budget is more difficult to summarize because although many of the line items were under budget, such as contracts, miscellaneous and tests, building and grounds, sales tax, equipment and tools and chemicals, many items were over budget, such as wages, plant repairs and maintenance, utilities, office expense and dues, meetings and mileage. Sewer can be accounted for mostly due to the contract, equipment maintenance, line maintenance and utilities. Solid waste also came in \$35,923 under budget because the budget was overestimated.

The budget to year-end receipts were also reviewed and are as follows. An increase of \$33,438 over what had been budgeted for the Mediacom franchise tax was received. In other areas, TIF receipts were \$22,090 less than budgeted, mostly due to the mobile home tax credit which is difficult to estimate. Property tax in the Special Revenue Funds was \$11,500 over budget and General Fund property tax was \$18,278 less than budgeted, mostly due to the homestead credit. Licenses and permits received \$32,946 more than budgeted because building permits receipts were \$19,528 more than estimated and park development fees received were \$5,050 less. Use of money and property received was \$45,227 more than budgeted, mainly due to a concerted effort to maximize all cash assets in higher interest accounts, and rent received from additional property purchased for the 1st Street Widening project scheduled to start in 2010. Road use tax increased \$7,461. This amount varies from the projections each year due to the amount of gas tax actually received by the State of Iowa. Water operations and tapping fees were \$118,097 over budget, mainly due to the actual amount of water sold and revenue received (\$66,024), as well as tapping fees and remote connections from new construction (\$48,333). Sewer operations was \$89,297 over what had been anticipated and also tapping fees from new construction were \$73,769 more than anticipated. The remaining revenue was received from sewer rentals which also increase as water consumption increases. Solid waste was also \$33,837 ahead of the revenue originally projected, also due to new construction. General charges were \$62,742 over budget due to \$51,643 in additional revenue received for fire and rescue charges as well as \$20,205 being received from the increase in the park and recreation programs. \$18,831 was not received as anticipated, again due to the building development fees being lower, as also indicated

in the disbursements for building development fees noted above. Tickets for snow ordinance and parking violations as well as enforcement fees accounted for an additional \$8,760 over what was budgeted. The additional difference in the overall budget for receipts and miscellaneous revenues are accounted for by refunds and sales which account for \$16,644 over the original estimate.

DEBT ADMINISTRATION

At June 30, 2008, the City had approximately \$17.807 million in bonds and other long-term debt outstanding, compared to approximately \$14.049 million last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2008	2007
General obligation bonds	\$ 8,980	4,735
Revenue bonds	8,313	8,797
Loan agreement	418	484
Lease-purchase agreements	96	33
Total	\$ 17,807	14,049

Debt increased as a result of the \$5.2 million dollar bond issue passed this year. \$700,000 of the proceeds from this issue were used to purchase parkland south and west of the new Northridge Elementary School. This purchase helped to facilitate a joint driveway with the school that will also be extended to service the parkland. As this is developed, the City and school will develop another 28E agreement for the use of this land similar to what is already in place for South Prairie Elementary School and the current Sports Complex. The remaining \$4.5 million was used to finance the 54th Avenue, South 6th Street, and South 11th Street Road Improvement projects. In addition, the City continues to certify TIF debt to lower the amount of debt service tax needed to pay the bond payments each year. The amount of TIF debt certified for development and rebate agreements subject to annual appropriation at June 30, 2008 was approximately \$988,000.

The City continues to carry a general obligation bond rating of A3 assigned by Moody’s Investor Service to the City’s debt in fiscal year 2008. This rating was based on the City’s growing tax base, stable financial position and above average but manageable amount of rapidly retiring debt. The City’s outstanding general obligation and TIF debt of approximately \$9.494 million is significantly below its constitutional debt limit of approximately \$21.7 million.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The City of Grimes’ elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates and fees charged for various City activities. One of the factors the Council will have to consider is a potential increase in garbage rates. In the past, tax revenue has been used to subsidize this Enterprise Fund.

The City’s valuation continues to significantly increase. Valuation, excluding TIF designated areas, rose from \$390,199,877 in fiscal year 2008 to \$481,415,782 for the 2009 fiscal year budget. This was an increase of 23.38%, or \$91,215,905. Property tax receipts are projected to increase \$584,420. Building permits have remained relatively steady with 131 permits issued in fiscal year 2005 with a total value of \$21,646,778. In fiscal year 2006, there were 102 single-family permits issued with a total value of \$23,445,036 and in fiscal year 2007 there were 120 single family permits issued with a total value of \$15,254,370 for new construction. In fiscal year 2008 there were 138 single family permits valued at \$17,342,083, 76 multi-family permits valued at \$7,794,715 and 23 commercial permits at \$9,781,523. The City conducted a special census in September 2005 which resulted in an increase in population of 764 people. This is a growth rate of 15% since 2000. This increase will result in an increase of over \$400,000 in road use tax receipts to be invested in the transportation system.

In addition, the economy is a factor. This is from the US Census Bureau from the 2000 Census.

Characteristics -	Number	Percent	U.S.
In labor force (population 16 years and over)	3,006	83.8	63.9%
Mean travel time to work in minutes (population 16 years and over)	20.0	(X)	25.5
Median household income (dollars)	56,275	(X)	41,994
Median family income (dollars)	60,847	(X)	50,046
Per capita income (dollars)	23,712	(X)	21,587
Families below poverty level	35	2.4	9.2%
Individuals below poverty level	166	3.3	12.4%

Housing Characteristics	Number	Percent	U.S.
Single-family owner-occupied homes	1,119	100.0	
Median value (dollars)	119,500	(X)	119,600
Median of selected monthly owner costs	(X)	(X)	
With a mortgage	1,123	(X)	1,088
Not mortgaged	348	(X)	295

(X) Not applicable.

Source: U.S. Census Bureau, Summary File 1 (SF 1) and Summary File 3 (SF 3)

The City of Grimes currently has continuing projects under construction, as follows: S 19th Street Extension/Little Beaver Assessment, Grimes Mapping, Phase II Stormwater Permit, Grimes Storm Sewer Mapping, Xenia Water Agreement, South 6th Street Improvements, Destination Drive Street Improvements, Highway 44 Improvements and the East 1st Street Road Reconstruction. In the next few months, the East 54th Ave Improvements, James Street overlay, as well as reconstruction of James Street and Development Agreements will be considered. Improvements continue on the Grimes Community Complex with the paving of the parking lot and gym floor reconstruction completed in 2008, as well as the renovation of more class rooms to expand our meeting capacity.

The City of Grimes completed the annexation of 974 acres in Dallas County. In November 2006, the City completed its first voluntary annexation, which included a portion being involuntarily annexed. In total, 169.71 acres were annexed on the NE corner of Highway 141 and Highway 44. In addition, two smaller annexations were completed, both being less than one acre. The addition of over 1,145 additional acres put the City in a continued position for strong economic growth.

In the next few years, the non-annexation agreements with the cities of Johnston, Urbandale, Granger, Dallas Center and Waukee will be renegotiated to determine future boundary lines.

These indicators were taken into account when adopting the budget for fiscal year 2009. Amounts available for appropriation in the operating budget are \$7.913 million, a decrease of 2.1% from the final 2008 actual disbursements of \$8.088 million. Property tax (benefiting from the increases in assessed valuations) provide for increases in revenue. However, \$100,000 less in TIF was certified because of lower bond payments on one of the issues. Receipts from rental property are also expected to be \$120,000 lower. Interest is expected to be lower by \$85,000, but this estimate may be very premature at this time. Water and sewer receipts are also budgeted less than FY 2008 which is already known to be incorrect because the permits are higher this year which means more water usage, not less. As always, when the budget is certified in March of each year, the actual numbers of the current budget aren't known so revenues are always estimated conservatively. Historically, actual receipts exceed budgeted receipts. The City will use these receipts to finance programs it currently offers, complete the capital improvement projects in process, initiate new capital improvement projects and plan for future projects. Budgeted disbursements, disregarding capital improvements and debt service, are expected to rise approximately 12%, or \$691,170. This change is mainly due to an increase in the Polk County Sheriff's contract of \$60,000, Fire & Rescue budget increase of \$82,000 due to increase in personnel and associated operating costs and an increase in inspection costs of \$64,000. The

RUT budget also increased \$105,000 to complete some of the road improvements not completed in 2008. The culture and recreation function increased \$127,758, mainly due to increasing operational costs of the park system as a whole and the wages for an entire year of the new Parks and Recreation Director as opposed to one-half year in 2008. The general government function is also expected to increase \$57,314 as all the positions have currently been filled. If all of the estimates are realized, the City's budgeted cash balance is expected to decrease about \$200,000.

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 Kelley Brown, City Administrator, 101 North Harvey, Grimes, Iowa 50111 or by e-mail at kelbrown@ci.grimes.ia.us.

Basic Financial Statements

City of Grimes

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2008

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 1,066,345	672,354	27,817	-
Public works	1,045,823	-	502,213	-
Culture and recreation	575,730	49,065	42,700	-
Community and economic development	141,481	-	13,797	-
General government	497,589	8,035	84,537	-
Debt service	1,834,602	37,859	191	550,647
Capital projects	4,379,280	37,524	-	1,077,140
Total governmental activities	9,540,850	804,837	671,255	1,627,787
Business type activities:				
Water	1,160,131	1,664,598	-	-
Sewer	780,176	1,098,297	-	-
Solid waste	216,076	190,837	-	-
Total business type activities	2,156,383	2,953,732	-	-
Total	\$ 11,697,233	3,758,569	671,255	1,627,787
General Receipts:				
Property and other city tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Unrestricted interest on investments				
Bond proceeds				
Lease proceeds				
Other general receipts				
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				
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
(366,174)	-	(366,174)
(543,610)	-	(543,610)
(483,965)	-	(483,965)
(127,684)	-	(127,684)
(405,017)	-	(405,017)
(1,245,905)	-	(1,245,905)
(3,264,616)	-	(3,264,616)
(6,436,971)	-	(6,436,971)
-	504,467	504,467
-	318,121	318,121
-	(25,239)	(25,239)
-	797,349	797,349
(6,436,971)	797,349	(5,639,622)
2,361,500	-	2,361,500
966,128	-	966,128
989,354	-	989,354
187,854	-	187,854
5,185,937	-	5,185,937
101,872	-	101,872
87,426	-	87,426
200,000	(200,000)	-
10,080,071	(200,000)	9,880,071
3,643,100	597,349	4,240,449
1,149,102	1,602,834	2,751,936
\$ 4,792,202	2,200,183	6,992,385
\$ 543,093	-	543,093
1,137,423	55,506	1,192,929
1,001,267	-	1,001,267
2,110,419	2,144,677	4,255,096
\$ 4,792,202	2,200,183	6,992,385

City of Grimes

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

As of and for the year ended June 30, 2008

	Special Revenue		
	General	Road Use Tax	Tax Increment Financing
Receipts:			
Property tax	\$ 1,938,233	-	-
Tax increment financing	-	-	966,128
Other city tax	198,987	-	-
Licenses and permits	427,871	-	-
Use of money and property	195,889	-	-
Intergovernmental	40,719	502,213	-
Charges for service	252,863	-	-
Special assessments	-	-	-
Miscellaneous	110,091	-	-
Total receipts	<u>3,164,653</u>	<u>502,213</u>	<u>966,128</u>
Disbursements:			
Operating:			
Public safety	1,045,796	-	-
Public works	868,368	177,455	-
Culture and recreation	559,295	-	-
Community and economic development	88,981	-	-
General government	497,589	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>3,060,029</u>	<u>177,455</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>104,624</u>	<u>324,758</u>	<u>966,128</u>
Other financing sources (uses):			
Bond proceeds, net of \$14,063 discount	-	-	-
Lease proceeds	-	-	-
Operating transfers in	275,906	-	-
Operating transfers out	(8,000)	(250,000)	(988,218)
Total other financing sources (uses)	<u>267,906</u>	<u>(250,000)</u>	<u>(988,218)</u>
Net change in cash balances	372,530	74,758	(22,090)
Cash balances beginning of year	<u>1,737,889</u>	<u>468,335</u>	<u>44,287</u>
Cash balances end of year	<u>\$ 2,110,419</u>	<u>543,093</u>	<u>22,197</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ -	-	-
Unreserved:			
General fund	2,110,419	-	-
Special revenue funds	-	543,093	22,197
Capital projects fund	-	-	-
Total cash basis fund balances	<u>\$ 2,110,419</u>	<u>543,093</u>	<u>22,197</u>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
989,354	-	311,706	3,239,293
-	-	-	966,128
-	-	-	198,987
-	-	-	427,871
191	104,489	11,297	311,866
-	-	39,384	582,316
-	-	-	252,863
37,859	-	-	37,859
550,647	1,010,176	8,044	1,678,958
1,578,051	1,114,665	370,431	7,696,141
-	-	20,549	1,066,345
-	-	-	1,045,823
-	-	16,435	575,730
-	-	52,500	141,481
-	-	-	497,589
1,834,602	-	-	1,834,602
-	4,379,280	-	4,379,280
1,834,602	4,379,280	89,484	9,540,850
(256,551)	(3,264,615)	280,947	(1,844,709)
-	5,185,937	-	5,185,937
101,872	-	-	101,872
646,218	800,000	-	1,722,124
-	-	(275,906)	(1,522,124)
748,090	5,985,937	(275,906)	5,487,809
491,539	2,721,322	5,041	3,643,100
645,884	(2,190,772)	443,479	1,149,102
1,137,423	530,550	448,520	4,792,202
1,137,423	-	-	1,137,423
-	-	-	2,110,419
-	-	448,520	1,013,810
-	530,550	-	530,550
1,137,423	530,550	448,520	4,792,202

City of Grimes

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

As of and for the year ended June 30, 2008

	Enterprise			Total
	Water	Sewer	Nonmajor - Solid Waste	
Operating receipts:				
Charges for service	\$ 1,664,598	1,098,297	190,837	2,953,732
Operating disbursements:				
Business type activities	735,235	338,632	216,076	1,289,943
Excess (deficiency) of operating receipts over (under) operating disbursements	929,363	759,665	(25,239)	1,663,789
Non-operating disbursements:				
Debt service	(424,896)	(441,544)	-	(866,440)
Excess (deficiency) of receipts over (under) disbursements	504,467	318,121	(25,239)	797,349
Transfers:				
Operating transfers out	(200,000)	-	-	(200,000)
Net change in cash balances	304,467	318,121	(25,239)	597,349
Cash balances beginning of year	663,005	870,087	69,742	1,602,834
Cash balances end of year	\$ 967,472	1,188,208	44,503	2,200,183
Cash Basis Fund Balances				
Reserved for debt service	\$ 55,506	-	-	55,506
Unreserved	911,966	1,188,208	44,503	2,144,677
Total cash basis fund balances	\$ 967,472	1,188,208	44,503	2,200,183

See notes to financial statements.

City of Grimes

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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: Polk County Assessor's Conference Board and the Polk County Joint E911 Service Board.

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

B. 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 Road Use Tax Fund is used to account for road construction and maintenance.

The Tax Increment Financing Fund is used to account for urban renewal projects financed by tax increment financing.

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

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.

C. Measurement Focus and Basis of Accounting

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

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.

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, 2008, disbursements did not exceed the amounts budgeted by function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2008 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.

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$8,834 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk – The City's investment in the Iowa Public Agency Investment Trust is unrated.

(3) Bonds Payable and Other Financing Arrangements

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

Year Ending June 30,	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 810,000	359,025	503,000	325,473	1,313,000	684,498
2010	745,000	329,828	522,000	305,824	1,267,000	635,652
2011	675,000	301,450	543,000	285,424	1,218,000	586,874
2012	700,000	274,835	563,000	264,195	1,263,000	539,030
2013	730,000	246,945	587,000	242,180	1,317,000	489,125
2014-2018	3,600,000	771,085	3,292,000	848,297	6,892,000	1,619,382
2019-2022	1,720,000	179,583	2,303,000	182,905	4,023,000	362,488
Total	\$ 8,980,000	2,462,751	8,313,000	2,454,298	17,293,000	4,917,049

Water and Sewer Revenue Bonds

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

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

The City has not made monthly transfers to the revenue bond sinking accounts as required by the bond resolutions.

Loan Agreements

On March 22, 2005, the City entered into a loan agreement with a local bank to borrow an amount not to exceed \$500,000 to purchase a fire truck. The amount actually borrowed totaled \$498,681. The loan bears interest at rates ranging from 3.05% to 4.58% per annum and matures on July 1, 2014. The City began making annual principal payments of \$50,000 plus interest beginning June 1, 2006. The loan will be repaid from future collections of a debt service levy on all taxable property in the City.

On September 6, 2005, the City entered into a loan agreement with a bank to borrow \$119,522 to purchase an ambulance. The loan bears interest at 4.79% per annum and matures on September 15, 2011. The City began making scheduled annual principal and interest payments of \$19,582 on September 15, 2005. The loan will be repaid from future collections of a debt service levy on all taxable property in the City.

A summary of the annual principal and interest requirements to maturity for the loan agreements is as follows:

Year Ending June 30,	Fire Truck			Ambulance			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2009	3.74%	\$ 50,000	14,655	4.79%	\$ 16,239	3,343	66,239	17,998
2010	3.92	50,000	12,785	4.79	17,017	2,565	67,017	15,350
2011	4.09	50,000	10,825	4.79	17,832	1,750	67,832	12,575
2012	4.24	50,000	8,780	4.79	18,687	896	68,687	9,676
2013	4.38	50,000	6,660	-	-	-	50,000	6,660
2014-2015	4.48-4.58	98,681	6,700	-	-	-	98,681	6,700
Total		\$ 348,681	60,405		\$ 69,775	8,554	418,456	68,959

Payments under the agreements for the year ended June 30, 2008 totaled \$86,021.

Lease-Purchase Agreements

In a prior year, the City entered into a lease-purchase agreement to lease a fire truck. During the year ended June 30, 2008, the City entered into a lease-purchase agreement to lease a truck and snow plow. The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreement in effect at June 30, 2008:

Year Ending June 30,	Fire Truck	Truck and Snow Plow	Total
2009	\$ 18,020	22,562	40,582
2010	-	22,562	22,562
2011	-	22,562	22,562
2012	-	22,562	22,562
Total minimum lease payments	18,020	90,248	108,268
Less amount representing interest	(1,035)	(10,891)	(11,926)
Present value of net minimum lease payments	\$ 16,985	79,357	96,342

Payments under the agreements for the year ended June 30, 2008 totaled \$40,535.

(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 3.90% of their annual covered salary and the City is required to contribute 6.05% 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 years ended June 30, 2008, 2007 and 2006 were \$54,907, \$43,140 and \$35,133, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory 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, 2008, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 57,000
Compensatory time	30,000
Total	<u>\$ 87,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2008.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Employee Benefits	\$ 275,906
Debt Service	General	8,000
	Special Revenue: Road Use Tax	250,000
	Tax Increment Financing	388,218
Capital Projects	Special Revenue: Tax Increment Financing	600,000
	Enterprise: Water	200,000
Total		<u>\$ 1,722,124</u>

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

(7) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 563 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2008 were \$122,380.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2008, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

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

(8) Development and Rebate Agreements

The City has entered into three development and rebate agreements to assist in certain urban renewal projects. The City agreed to rebate incremental taxes paid by the developers in exchange for the reimbursed costs of certain infrastructure improvement projects constructed by the City as set forth in the urban renewal plan and the individual development and rebate agreements. The incremental taxes to be received by the City under Chapter 403.19 of the Code of Iowa from the developers will be rebated for periods ranging from five to ten years, beginning with the tax year in which the property taxes on the completed value of the improvements are first paid. The maximum amount to be rebated under the development and rebate agreements is the lesser of actual project costs paid by the developer or \$773,000. The agreements do not include provisions for payment of interest.

During the year ended June 30, 2008, the City rebated \$44,487 of incremental taxes to developers. Resources were transferred from the Special Revenue, Tax Increment Financing Fund to the Debt Service Fund and the payment of this obligation was charged to the debt service function. The outstanding principal balance on these agreements at June 30, 2008 is \$439,683.

No bonds or notes were issued for these projects. To the extent there are insufficient tax increment receipts available on any payment date to make the required scheduled payment, the unpaid amount shall be carried over to the next payment date without accruing any interest.

An additional development agreement requires the City to reimburse a portion of road use tax eligible project costs paid by the developer for certain infrastructure projects. The reimbursements will be funded from future road use tax receipts. The maximum to be paid under this development agreement is the lesser of actual road use eligible project costs paid by the developer or \$1,250,000. The rebates will span a five-year period. In the event road use tax receipts are insufficient to make the required annual reimbursement, payments to the developer will continue until the City has reimbursed the amount specified in the agreement.

During the year ended June 30, 2008, the City reimbursed developers \$250,000 from road use tax receipts. Resources were transferred from the Special Revenue, Road Use Tax Fund to the Debt Service Fund and the payment of this obligation was charged to the debt service function. The outstanding principal balance on this agreement at June 30, 2008 is \$305,935.

An additional development agreement requires the City to reimburse future tapping fees as connections are made to the system for sanitary sewer extensions and sanitary sewer lift station costs paid by the developer. The maximum to be paid under this development agreement is the lesser of actual paid costs paid by the developer or \$434,402. The developer agreement is in effect until fully reimbursed. During the year ended June 30, 2008, the City reimbursed the developer \$33,670 from sewer tapping fees. The outstanding principal balance on this agreement at June 30, 2008 is \$389,511.

(9) Economic Development Loan

On January 10, 2006, the City approved an economic development loan agreement with Breeding True Value Hardware. The City loaned \$50,000 to assist in locating a store in the City of Grimes. The loan bears interest at 2% per annum and is to be repaid in monthly installments of \$460 beginning in June, 2006 for a period of ten years. As of June 30, 2008, the outstanding loan balance is \$40,393.

On February 12, 2008, the City approved an economic development loan agreement with Performance Display. The City loaned \$50,000 to assist in locating a store in the City of Grimes. The loan bears interest at 4% per annum and is to be repaid in monthly installments of \$2,430 beginning May, 2011 for a period of two years. As of June 30, 2008, the outstanding loan balance is \$50,000.

(10) Education Facility and Community Provider Revenue Notes

The City entered into a loan agreement, dated July 1, 2004, with the Des Moines Christian School Association to obtain funds to loan to the Association. Pursuant to the loan agreement, the City issued an Education Facility Revenue Note, Series 2004, dated October 1, 2004, for \$7,200,000 under Chapter 419 of the Code of Iowa and secured the note by assignment of the loan agreement to First Federal Bank, West Des Moines, Iowa. The proceeds of the note are to be paid directly to or at the direction of the Des Moines Christian School Association for paying project costs or retiring existing debt.

The City entered into a loan agreement, dated November 1, 2004, with Special Olympics Iowa, Inc. to obtain funds to loan to the nonprofit corporation. Pursuant to the loan agreement, the City issued a Community Provider Revenue Note, Series 2004, dated November 11, 2004, for \$1,400,000 under Chapter 419 of the Code of Iowa and secured the note by an assignment of the loan agreement to Bankers Trust Company, National Association, Des Moines, Iowa. The proceeds of the note are to be paid directly to or at the direction of Special Olympics Iowa, Inc. for payment of project costs.

The notes and the related interest are payable solely from payments derived pursuant to the loan agreements and from the properties which secure payment of the notes. The note principal and interest do not constitute liabilities of the City.

(11) Construction Commitments

The City has entered into construction contracts totaling approximately \$6,084,000. As of June 30, 2008, costs of approximately \$5,289,000 had been paid on the contracts. The remaining \$795,000 will be paid as work on these projects progresses.

(12) Subsequent Event

In July 2008, the City entered into a contract with Concrete Technologies totaling \$1,398,887 for the East 1st Street assessment project.

City of Grimes

Required Supplementary Information

City of Grimes
 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, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 3,239,293	-	3,239,293
Tax increment financing	966,128	-	966,128
Other city tax	198,987	-	198,987
Licenses and permits	427,871	-	427,871
Use of money and property	311,866	-	311,866
Intergovernmental	582,316	-	582,316
Charges for service	252,863	2,953,732	3,206,595
Special assessments	37,859	-	37,859
Miscellaneous	1,678,958	-	1,678,958
Total receipts	<u>7,696,141</u>	<u>2,953,732</u>	<u>10,649,873</u>
Disbursements:			
Public safety	1,066,345	-	1,066,345
Public works	1,045,823	-	1,045,823
Health and social services	-	-	-
Culture and recreation	575,730	-	575,730
Community and economic development	141,481	-	141,481
General government	497,589	-	497,589
Debt service	1,834,602	-	1,834,602
Capital projects	4,379,280	-	4,379,280
Business type activities	-	2,156,383	2,156,383
Total disbursements	<u>9,540,850</u>	<u>2,156,383</u>	<u>11,697,233</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(1,844,709)</u>	<u>797,349</u>	<u>(1,047,360)</u>
Other financing sources (uses)			
Bond proceeds	5,185,937	-	5,185,937
Lease proceeds	101,872	-	101,872
Transfers in (out)	200,000	(200,000)	-
Total other financing sources (uses)	<u>5,487,809</u>	<u>(200,000)</u>	<u>5,287,809</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	3,643,100	597,349	4,240,449
Balances beginning of year	<u>1,149,102</u>	<u>1,602,834</u>	<u>2,751,936</u>
Balances end of year	<u>\$ 4,792,202</u>	<u>2,200,183</u>	<u>6,992,385</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total Variance
3,172,691	3,292,302	(53,009)
988,218	988,218	(22,090)
236,553	118,742	80,245
394,925	394,925	32,946
62,500	266,639	45,227
524,752	566,866	15,450
3,039,322	2,938,600	267,995
100,000	575,000	(537,141)
26,750	77,750	1,601,208
<u>8,545,711</u>	<u>9,219,042</u>	<u>1,430,831</u>
1,297,882	1,142,708	76,363
1,104,455	1,137,801	91,978
6,000	8,000	8,000
615,392	627,392	51,662
97,500	165,000	23,519
544,642	552,042	54,453
1,755,811	1,880,198	45,596
2,830,000	5,675,000	1,295,720
2,203,669	2,247,366	90,983
<u>10,455,351</u>	<u>13,435,507</u>	<u>1,738,274</u>
<u>(1,909,640)</u>	<u>(4,216,465)</u>	<u>3,169,105</u>
-	5,825,260	(639,323)
-	-	101,872
-	-	-
<u>-</u>	<u>5,825,260</u>	<u>(537,451)</u>
(1,909,640)	1,608,795	2,631,654
<u>5,788,587</u>	<u>2,751,935</u>	<u>1</u>
<u>3,878,947</u>	<u>4,360,730</u>	<u>2,631,655</u>

City of Grimes

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

The budgetary comparison is presented as Required Supplementary 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. 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 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 \$2,430,156 and one budget amendment increased budgeted disbursements by \$550,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements did not exceed the amount budgeted by function.

Other Supplementary Information

City of Grimes

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

As of and for the year ended June 30, 2008

	Employee Benefits	Emergency	Economic Development Revolving Loan	Special
Receipts:				
Property tax	\$ 245,613	66,093	-	-
Use of money and property	-	-	11,297	-
Intergovernmental	-	-	-	-
Miscellaneous	-	-	-	-
Total receipts	<u>245,613</u>	<u>66,093</u>	<u>11,297</u>	<u>-</u>
Disbursements:				
Operating:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	50,000	-
Total disbursements	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	245,613	66,093	(38,703)	-
Other financing uses:				
Operating transfers out	<u>(275,906)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balances	(30,293)	66,093	(38,703)	-
Cash balances beginning of year	<u>134,015</u>	<u>43,765</u>	<u>183,687</u>	<u>-</u>
Cash balances end of year	<u>\$ 103,722</u>	<u>109,858</u>	<u>144,984</u>	<u>-</u>
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	<u>\$ 103,722</u>	<u>109,858</u>	<u>144,984</u>	<u>-</u>

See accompanying independent auditor's report.

Revenue					
Metro Waste Authority	Fire Department FEMA Grant	Park and Recreation	Library	Rolow Memorial	Total
-	-	-	-	-	311,706
-	-	-	-	-	11,297
2,500	27,792	-	9,092	-	39,384
-	-	-	8,044	-	8,044
2,500	27,792	-	17,136	-	370,431
-	20,549	-	-	-	20,549
-	-	9,390	7,045	-	16,435
2,500	-	-	-	-	52,500
2,500	20,549	9,390	7,045	-	89,484
-	7,243	(9,390)	10,091	-	280,947
-	-	-	-	-	(275,906)
-	7,243	(9,390)	10,091	-	5,041
-	3,172	13,145	63,862	1,833	443,479
-	10,415	3,755	73,953	1,833	448,520
-	10,415	3,755	73,953	1,833	448,520

City of Grimes
Schedule of Indebtedness
Year ended June 30, 2008

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Corporate purpose	Jan 1, 2002	4.00-4.70%	\$ 3,200,000
Corporate purpose	Mar 1, 2003	2.00-4.00	2,650,000
Refunding	May 29, 2003	1.30-3.20	1,955,000
Corporate purpose	Aug 1, 2007	4.00-4.10	5,200,000
Total			
Revenue bonds:			
Water	Dec 19, 2000	3.53-3.84%	\$ 5,976,000
Sewer	Dec 19, 2000	4.30	5,372,000
Total			
Loan agreements:			
Fire truck	Mar 22, 2005	3.05-4.58%	\$ 498,681
Ambulance	Sep 6, 2005	4.79	119,522
Total			
Lease-purchase agreements:			
Fire truck	Dec 15, 2000	6.09%	\$ 111,500
Truck and snow plow	Dec 3, 2007	5.35	101,872
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
2,005,000	-	190,000	1,815,000	89,408
2,090,000	-	160,000	1,930,000	73,587
640,000	-	350,000	290,000	17,635
-	5,200,000	255,000	4,945,000	174,758
\$ 4,735,000	5,200,000	955,000	8,980,000	355,388
4,593,000	-	259,000	4,334,000	163,599
4,204,000	-	225,000	3,979,000	180,772
\$ 8,797,000	-	484,000	8,313,000	344,371
398,681	-	50,000	348,681	16,439
85,272	-	15,497	69,775	4,085
\$ 483,953	-	65,497	418,456	20,524
32,995	-	16,010	16,985	2,010
-	101,872	22,515	79,357	-
\$ 32,995	101,872	38,525	96,342	2,010

City of Grimes
Bond Maturities
June 30, 2008

General Obligation Bonds									
Year Ending June 30,	Corporate Purpose Issued Jan 1, 2002		Corporate Purpose Issued Mar 1, 2003		Refunding Issued May 29, 2003		Corporate Purpose Issued Aug 1, 2007		Total
	Interest		Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
2009	4.25%	\$ 195,000	3.00%	\$ 160,000	2.90%	\$ 190,000	4.00%	\$ 265,000	810,000
2010	4.30	205,000	3.25	165,000	3.20	100,000	4.00	275,000	745,000
2011	4.40	210,000	3.30	175,000		-	4.00	290,000	675,000
2012	4.40	220,000	3.45	180,000		-	4.00	300,000	700,000
2013	4.50	230,000	3.50	185,000		-	4.00	315,000	730,000
2014	4.60	240,000	3.60	195,000		-	4.00	330,000	765,000
2015	4.70	250,000	3.70	200,000		-	4.00	340,000	790,000
2016	4.70	265,000	3.80	215,000		-	4.00	355,000	835,000
2017		-	3.90	225,000		-	4.00	370,000	595,000
2018		-	4.00	230,000		-	4.05	385,000	615,000
2019		-		-		-	4.05	405,000	405,000
2020		-		-		-	4.10	420,000	420,000
2021		-		-		-	4.10	440,000	440,000
2022		-		-		-	4.10	455,000	455,000
Total		<u>\$1,815,000</u>		<u>\$1,930,000</u>		<u>\$ 290,000</u>		<u>\$4,945,000</u>	<u>8,980,000</u>

See accompanying independent auditor's report.

Revenue Bonds							
Water		Water			Sewer		
Issued Dec 19, 2000		Issued Dec 19, 2000			Issued Dec 19, 2000		
Interest		Interest			Interest		
Rates	Amount	Rates	Amount	Total	Rates	Amount	Total
3.53%	\$ 241,000	3.84%	\$ 27,000	268,000	4.30%	\$ 235,000	503,000
3.53	249,000	3.84	28,000	277,000	4.30	245,000	522,000
3.53	258,000	3.84	29,000	287,000	4.30	256,000	543,000
3.53	267,000	3.84	30,000	297,000	4.30	266,000	563,000
3.53	277,000	3.84	32,000	309,000	4.30	278,000	587,000
3.53	286,000	3.84	33,000	319,000	4.30	290,000	609,000
3.53	296,000	3.84	34,000	330,000	4.30	302,000	632,000
3.53	307,000	3.84	35,000	342,000	4.30	315,000	657,000
3.53	318,000	3.84	37,000	355,000	4.30	329,000	684,000
3.53	329,000	3.84	38,000	367,000	4.30	343,000	710,000
3.53	341,000	3.84	40,000	381,000	4.30	358,000	739,000
3.53	353,000	3.84	41,000	394,000	4.30	373,000	767,000
3.53	365,000	3.84	43,000	408,000	4.30	389,000	797,000
	-		-	-		-	-
	<u>\$ 3,887,000</u>		<u>\$ 447,000</u>	<u>4,334,000</u>		<u>\$ 3,979,000</u>	<u>8,313,000</u>

Schedule 4

City of Grimes

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Six Years

	2008	2007	2006	2005	2004	2003
Receipts:						
Property tax	\$ 3,239,293	2,853,663	2,502,802	2,307,906	2,097,510	1,950,430
Tax increment financing	966,128	761,226	817,073	670,298	778,617	339,941
Other city tax	198,987	112,067	68,100	107,372	17,606	73,911
Licenses and permits	427,871	425,331	355,345	295,902	199,711	181,354
Use of money and property	311,866	154,674	101,908	123,906	87,329	51,408
Intergovernmental	582,316	1,073,834	890,894	1,378,470	566,563	572,297
Charges for service	252,863	240,383	414,290	426,201	182,481	118,126
Special assessments	37,859	49,060	137,137	437,247	-	-
Miscellaneous	1,678,958	1,756,010	1,428,522	2,669,863	31,724	278,697
Total	\$ 7,696,141	7,426,248	6,716,071	8,417,165	3,961,541	3,566,164
Disbursements:						
Operating:						
Public safety	\$ 1,066,345	824,398	1,139,269	1,430,441	671,961	566,187
Public works	1,045,823	767,595	684,261	771,074	680,222	873,301
Health and social services	-	6,067	33,583	39,000	48,000	42,250
Culture and recreation	575,730	480,494	542,363	411,536	354,637	388,090
Community and economic development	141,481	58,799	128,219	57,634	47,633	37,318
General government	497,589	486,222	499,030	445,296	383,215	338,916
Debt service	1,834,602	1,371,799	1,413,924	1,092,771	900,224	686,192
Capital projects	4,379,280	5,092,309	3,362,209	4,817,303	2,406,198	2,601,271
Total	\$ 9,540,850	9,087,683	7,802,858	9,065,055	5,492,090	5,533,525

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Honorable Mayor and
Members of the City Council:

We have audited 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 Grimes, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated October 24, 2008. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Grimes' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Grimes' internal control over financial reporting. According, we do not express an opinion on the effectiveness of the City of Grimes' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Grimes' ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Grimes' financial statements that is more than inconsequential will not be prevented or detected by the City of Grimes' internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Grimes' internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items (A) and (B) are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Grimes' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 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, 2008 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 Grimes' responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Grimes' responses and, accordingly, we express no opinion on them.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 24, 2008

City of Grimes
Schedule of Findings
Year ended June 30, 2008

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. Generally, one person has control over preparing bank account reconciliations, initiating disbursements, signing disbursements and depositing cash.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel.

Response – As the City continues to add additional personnel, we will concentrate on segregating duties as much as possible. We will provide better evidence of independent reviews by initialing and dating documents.

Conclusion – Response accepted.

- (B) Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent accounts listing was not prepared. Also, utility collections were not reconciled to deposits. Delinquent utility accounts to be written off were not presented to the City Council for approval. In addition, the rates charged for water meter rentals and late fee assessments were not in accordance with the City's Code of Ordinances.

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 Council-designated independent person should review the reconciliations and monitor delinquencies and approve any write offs. Also, the City should follow the rates for water meter rentals and late fees established in the Code of Ordinances.

Response – The City will comply with the recommendations listed above as well as performing a timely reconciliation process that accounts for all variations.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Grimes
 Schedule of Findings
 Year ended June 30, 2008

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2008 did not exceed the amounts budgeted.
- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Tom Armstrong, Mayor, Owner of Rainbow Play Systems	Gymnasium project, per bid	\$ 21,151

In accordance with Chapter 362.5(10) of the Code of Iowa, the above transaction does not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments – The City renewed a certificate of deposit (CD) at a rate less than the minimum approved rate.

Recommendation – The City should renew CD’s at no less than the minimum approved rate.

Response – The interest rates for CD renewals will be monitored to ensure they are at the minimum rate.

Conclusion – Response acknowledged. The City should seek reimbursement of the additional interest due on the certificate of deposit.

- (8) Water and Sewer Revenue Bonds – The provisions of the water and sewer revenue bonds require sufficient monthly transfers be made to separate water and sewer revenue bond sinking accounts for the purpose of making the bond principal and interest payments when due.

The City did make the required monthly transfers to the revenue bond sinking accounts. In addition, the balances in the sinking accounts at June 30, 2008 were less than required.

City of Grimes

Schedule of Findings

Year ended June 30, 2008

Recommendation – The City ensure adequate transfers are made to the sinking accounts so the balances at year end are at least equal to the amounts required.

Response – The City did make transfers as originally budgeted but the actual disbursement was over what had been budgeted in both fiscal years 2007 and 2008 resulting in a negative balance and balance less than required. The City will amend the budget to account for the difference in the last two budget years as well as amend for an additional amount to account for any differences in the fiscal year ended June 30, 2009 budget.

Conclusion – Response accepted.

City of Grimes

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Melissa J. Knoll-Speer, Senior Auditor
Michael R. Field, Staff Auditor
Jessica P.V. Green, 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