



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

December 8, 2009

Contact: Andy Nielsen
515/281-5834

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

The City's receipts totaled \$10,663,704 for the year ended June 30, 2009, a 33 percent decrease from 2008. The receipts included \$3,916,331 in property tax, \$881,205 from tax increment financing, \$3,342,774 from charges for service, \$649,212 from operating grants, contributions and restricted interest, \$1,669,882 from capital grants, contributions and restricted interest, \$117,799 from unrestricted interest on investments and \$86,501 from other general receipts.

Disbursements for the year totaled \$12,188,628, a 4 percent increase over the prior year, and included \$4,089,799 for capital projects, \$1,585,293 for debt service and \$1,660,313 for public works. Also, disbursements for business type activities totaled \$2,210,239.

The decrease in receipts is due primarily to bond and lease proceeds received during the year ended June 30, 2008.

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/index.html>.

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CITY OF GRIMES

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

JUNE 30, 2009

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City of Grimes

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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	Indefinite
Rochelle Williams	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, 2009, 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.

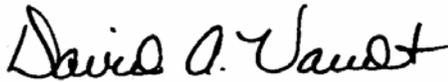
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

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, 2009, and the respective changes in its 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 November 3, 2009 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 six years ended June 30, 2008 (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

November 3, 2009

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, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- The General Fund property tax revenues increased approximately \$466,000 from 2008 to 2009. This is the result of the regular taxable valuation increase from \$239,574,657 to \$286,205,564. Over the past five years, the regular taxable valuation has grown from \$154,121,574 to \$286,205,564, resulting in an increase of \$132,083,990, or 85.7%.

Receipts and transfers of the City's governmental activities decreased 36%, or approximately \$4,777,000, from fiscal year 2008 to fiscal year 2009. A \$5 million bond issue was issued in 2008 which accounts for the difference between the two years. That being said, 2009 continued to be very busy for the City of Grimes in spite of the economy. The South 11th Street project west of Highway 44 was completed as well as Destination Drive and the improvements to East 1st Street, including the reconstruction to an urban road with signals. These improvements were requested by the developer to facilitate the anchor store of what is anticipated to be an extremely viable commercial development on the Southeast corner of East 1st Street and Grimes Boulevard (Hwy 44 and Hwy 141). Once Walmart is constructed with its six out lots, this area is expected to explode with development. All three of these projects were Assessment Projects and provided over \$1.463 million in developer reimbursements with an additional \$1 million to follow with the completion of East 1st Street.

Consistent with the downturn in the economy, residential and commercial construction continued to decrease, resulting in a difference of approximately \$191,000 in receipts from building permit fees, approximately \$107,000 in water tapping fees and approximately \$181,000 in sewer tapping fees. As well, building development fees, which are the reimbursement of billed engineering and inspection fees for site plans, plats and public infrastructure improvements, also decreased \$59,190. Consistent with this decline, disbursements for engineering and inspection fees also decreased approximately \$53,000.

Despite the downturn in building overall, commercial valuation continued to increase. Starting in 2003, commercial valuations have grown over the years from \$62,873,157, \$63,462,659, \$76,457,880, \$80,700,405, \$99,563,533, \$114,571,090 and now in 2009, \$136,366,480. That is a 116.9% increase over the last six years, or \$73,493,323. A growing community always needs to maintain a healthy balance of commercial and residential development to help maintain taxes at a consistent level.

Consistent with the decrease in total cash balances of \$6,992,395 at the end of 2008 to \$5,467,461 at the end of 2009, interest on investments decreased \$70,055. The decrease in the cash balance was due to the disbursement of capital funds on the East 1st Street and the 1st Street projects before the upcoming proceeds from the \$10,000,000 bond issue are received.

The trend for road use tax receipts seems to be inconsistent. In 2007, there was a slight decrease of \$2,231. In 2008, receipts increased \$13,645 and now, in 2009, receipts have again decreased \$15,844. Each City's allocation is based on the total amount of road use tax received divided by the last certified census in each City. Each City then receives a dollar amount per person. For this fiscal year, the amount was \$86 per person. Consistent with the economy, when less revenue is received overall, each city receives less money.

The Grimes Community Complex (the old Dallas Center-Grimes Middle School) was opened the summer of 2006 for use by the Summer Recreation program. The use of that building has been expanded to include the leasing of four rooms to the YMCA and the leasing and renovation of another two rooms for the combined use of a church or large group meeting room. The Grimes Historical room was opened this spring and was the result of an Eagle Scout project. One room has been set up as a batting cage and another for cycling. Hours for general use have been expanded and include having a person on staff during normal hours to alleviate the need for key card access in most situations. A more comprehensive use policy has been implemented which gives all Grimes residents two hours of free rental on most rooms for special occasions. This new programming and rental programs have accounted for \$61,135 in additional receipts.

Fire and rescue charges increased approximately \$29,000 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 \$2,034 and is expected to decrease every year until this program is phased out.

All in all, given the climate of the County, the City of Grimes stood strong and continues to grow. As always, the philosophy of the City Council and City staff continues to focus on efficiency and quality of services. Good solid management practices continue to facilitate prudent uses of resources.

- Disbursements for the City's governmental activities increased 4.59%, or approximately \$438,000, from fiscal year 2008 to fiscal year 2009. The net difference in disbursements, after eliminating the effects of capital projects and debt service, is an increase of approximately \$976,000, from approximately \$3,327,000 in 2008 to approximately \$4,303,000 in fiscal year 2009. Spending for the public safety function increased from \$1,066,345 to \$1,126,024. Some of this increase can be accounted for in the increase in the Polk County Sheriff's contract. During the next three years, the City of Grimes and Polk County have contracted for an agreement whereby the City will stair step increase its contributions to the County so the County isn't contributing as high of a percentage of the expenses of this contract. This first year resulted in an increase of \$53,186. The City of Grimes also hired an additional full time paramedic/fire fighter, increasing the current staff to two full time and an additional full time-equivalent paramedic/fire fighter to be on staff during the day for an increase in spending of \$78,409. Engineering disbursements decreased \$43,558. The Building Department also purchased a new truck in 2008 that accounted for an increase of \$20,617 for the year.

Public works function spending increased approximately \$614,000. Road use tax makes up for the majority of this amount with an increase of \$525,714. The City purchased the old elevator property with the intent of eliminating the railroad in this area as well as to remove all of the buildings and grain storage bins and ultimately clean up and revitalize the down town area. Removing the railroad tracks will save the City significant expenses when it comes to having to repair and upgrade all of the railroad crossings. In addition, a new metro salt storage facility was constructed in the southern industrial area of Grimes. This facility will potentially reduce costs for metro cities by being able to purchase in larger bulk quantities without storage concerns. \$47,000 was disbursed as part of the City of Grimes' investment. In the street department, another person was hired to maintain the demands of a growing City.

Culture and recreation function spending also increased approximately \$203,000. Additional funds of \$56,074 were disbursed because of the addition of a full time Parks and Recreation Director hired in February of 2008 as well as additional staffing hired to help accommodate the increasing numbers in the Summer Recreation programs, which accounted for an additional \$23,463 in spending. A complete upgrade to energy efficient lighting in the Grimes Community Complex (GCC) cost \$34,552. As well, the City has entered into a HVAC Public Improvement Project to completely convert the

GCC's heating and cooling systems. Additional improvements, as well as increases in fertilizer and seeding costs, accounted for the remaining \$36,972 in the Parks Department. The Library also disbursed \$28,795 in additional funds due to additional hours and insurance costs, as well as material costs and office disbursements.

Community and economic development disbursements totaled \$19,435 more in fiscal year 2009, mostly due to an increase in contributions from the City to the Grimes Chamber and Economic Development Organization. Notable capital improvements for 2009 include the completion of the South 11 and Destination Drive Street improvement projects to facilitate the development of Walmart, the YMCA and the development typically surrounding large box users. In addition, the East 1st Street Paving Project was initiated in July 2008 and is now near completion, 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.

General government function disbursements increased \$79,497. Most of this increase is due to the addition of a City Clerk as well as a full-time administrative assistant. In 2008, the City Administrator and City Clerk duties were performed without the benefit of a full time City Clerk.

- The City's governmental activities total cash basis net assets decreased 32.8%, or approximately \$1,571,000, from June 30, 2008 to June 30, 2009. A majority of this decrease can be accounted for by the disbursement of capital improvement funds for the South 1st Street Assessment project in the amount of \$1,380,356. Upon completion of this project, \$1,000,000 will be reimbursed by the developer and the rest will be paid back through special assessments. As well, \$214,802 has been disbursed on the upcoming East 1st Street Improvement project from Harvey Street west to the High School. Overall, the Capital Projects Fund decreased \$1,505,679. Proceeds from a \$10,000,000 bond issue are expected to be received in late 2009 which will then repay the negative fund balances in several of the accounts within the Capital Projects Fund. All of the projects intended to be financed by the \$5.2 million bond issue have been completed. To recap, \$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, the General Fund cash balance increased \$215,360. The Special Revenue, Road Use Tax Fund cash balance decreased \$489,270. The Debt Service Fund cash balance increased \$146,566 because proceeds are accumulating from developer assessments that are not sufficient for prepayment on the bond at this time and proceeds from the completion of the South 19th and Little Beaver Assessment project as well as the South 11th Street Project. The other nonmajor governmental fund cash balances increased \$46,128, mostly due to an increase in employee benefits property tax receipts, county library tax and conservative spending. The City 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.

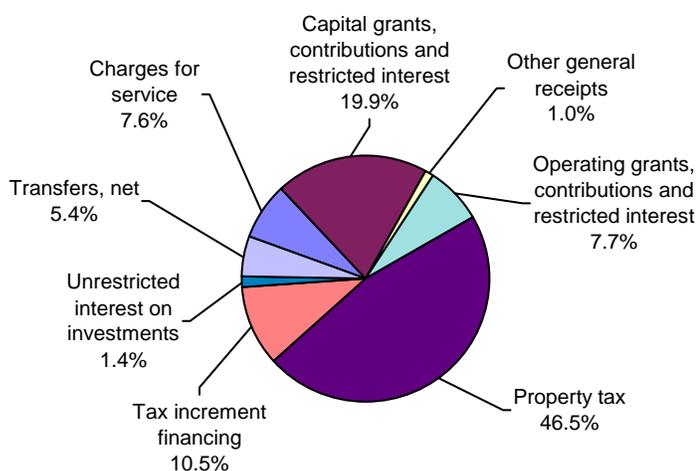
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

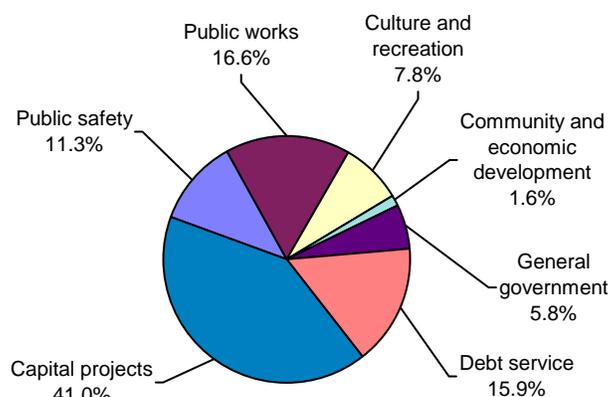
Net assets may serve over time as a useful indicator of financial position. However, depending on the timing of bond proceeds, the City's cash balance for governmental activities may give a false indicator. The cash balances decreased from a year ago, from approximately \$4.792 million to approximately \$3.221 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,	
	2009	2008
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 636,168	804,837
Operating grants, contributions and restricted interest	649,212	671,255
Capital grants, contributions and restricted interest	1,669,882	1,627,787
General receipts:		
Property tax	3,916,331	3,350,854
Tax increment financing	881,205	966,128
Unrestricted interest on investments	117,717	187,854
Bond proceeds	-	5,185,937
Lease proceeds	-	101,872
Other general receipts	86,501	87,426
Transfers, net	450,000	200,000
Total receipts and transfers	8,407,016	13,183,950
Disbursements:		
Public safety	1,126,024	1,066,345
Public works	1,660,313	1,045,823
Culture and recreation	778,958	575,730
Community and economic development	160,916	141,481
General government	577,086	497,589
Debt service	1,585,293	1,834,602
Capital projects	4,089,799	4,379,280
Total disbursements	9,978,389	9,540,850
Increase (decrease) in cash basis net assets	(1,571,373)	3,643,100
Cash basis net assets beginning of year	4,792,202	1,149,102
Cash basis net assets end of year	\$ 3,220,829	4,792,202

Receipts by Source



Disbursements by Function



The City's total receipts and transfers for governmental activities decreased 36.2%, or \$4,776,934. The total cost of all programs and services increased 4.5%, or \$437,539. 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 \$239,574,657 to \$286,205,564. Regular taxable valuation increased 19.5%, or \$46,630,907. Property tax receipts, not including TIF collections or other city taxes, increased \$565,477. The City also completed large transportation and utility infrastructure projects this year, resulting in \$1.463 million in reimbursements from developer agreements.

The City's property tax rates for fiscal year 2009 increased slightly with a tax rate of \$12.962 per \$1,000 of taxable valuation versus \$12.925 per \$1,000 of taxable valuation for FY 2008. The rollback percentage decreased from 45.56% to 44.08%. The net result of the slight tax rate increase and the decrease in the rollback percentage resulted in a net decrease in property tax to the property owner. The effect on a property valued at \$150,000 was a decrease in tax of \$26.24. The residential rollback percentage is projected to increase back up to 45.589% and the tax rate has decreased to \$12.920 per \$1,000 of taxable valuation for FY 2010. This nominal decrease coupled with the increase in the rollback has a result of increasing the net city taxes paid by the homeowner of that same \$150,000 home by \$26.46. Over the course of two years the tax impact remains relatively constant. 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 \$9.978 million compared to approximately \$9.541 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 \$7.023 million because some of the cost was paid by those directly benefiting from the programs; \$636,168 by other governments and organizations that subsidized certain programs with operating grants, contributions and restricted interest of \$649,212 or from capital grants, contributions and restricted interest (developer agreements, etc.) of \$1,669,882. Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2009 from \$13,183,950 to \$8,407,016, principally due to approximately \$5.2 million received from a bond issue in 2008. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$4,797,536 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 1,527,860	1,664,598
Sewer	983,953	1,098,297
Solid waste	194,793	190,837
General receipts:		
Unrestricted interest on investments	82	-
Total receipts	<u>2,706,688</u>	<u>2,953,732</u>
Disbursements and transfers:		
Water	1,208,812	1,160,131
Sewer	775,338	780,176
Solid waste	226,089	216,076
Transfers, net	450,000	200,000
Total disbursements and transfers	<u>2,660,239</u>	<u>2,356,383</u>
Increase in cash basis net assets	46,449	597,349
Cash basis net assets beginning of year	<u>2,200,183</u>	<u>1,602,834</u>
Cash basis net assets end of year	<u>\$ 2,246,632</u>	<u>2,200,183</u>

Total business type activities receipts for the fiscal year were approximately \$2.7 million compared to approximately \$3.0 million last year. This decrease was due primarily to a decrease in water and sewer tapping fees that accompany new construction which also decreased in 2009.

The cash balance increased \$46,449 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 decreased 8.4%, disbursements and transfers increased 12.9%. Thus, the overall effect of the prior year's increase in net assets of \$597,349 helped offset the decrease in water and sewer tapping fees from new construction. Total disbursements and net transfers for the fiscal year increased from approximately \$2.356 million to approximately \$2.660 million in fiscal year 2009. This was an increase of \$303,856, or 12.9%.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Grimes completed the year, its governmental funds reported a combined fund balance of \$3,220,829, a decrease of \$1,571,373 from last year's total of \$4,792,202. 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 \$215,360 over the prior year to \$2,325,779. This increase was due to the increase in total valuation resulting in an increase in property tax received. General Fund receipts increased \$162,468 and disbursements increased \$429,588. The City continues to monitor taxes and ending fund balances to determine the ideal 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 decreased \$489,270 to \$53,823. This decrease was due largely to the purchase of the old elevator building and property along West 1st Street (Highway 44) which will be needed for right-of-way for the expansion of West 1st Street to a 3-lane roadway. The ending balance of \$53,823 is being held to facilitate road construction projects in fiscal year 2010. 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 receipts 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 receipts. 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 receipts 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 44.08% for fiscal year 2009. 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 TIF cash balance was \$37,719, an increase of \$15,522 over 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 \$146,566 to \$1,283,989. This increase was due to the receipt of developer reimbursement proceeds from the South 19th and Little Beaver assessment projects as well as the 54th Ave. Road assessment project 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 decreased \$1,505,679 to \$(975,129). The decrease was due to the timing of the pending passage of a \$10 million dollar bond issue which will pay back the negative balance in this account.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$119,130 to \$ 1,086,602, 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, plant repairs and maintenance and chemical costs account for the increase in disbursements of \$49,034. Note – water and sewer tapping fees are used exclusively to finance maintenance and replacement of existing lines.
- The Enterprise, Sewer Fund cash balance decreased \$41,385 to \$1,146,823. Disbursements decreased \$3,247. This balance also allowed for \$250,000 to be transferred to the Capital Projects Fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. This amendment was approved on March 10, 2009. This amendment provided for an increase in receipts for charges for service of \$247,899. License and permit receipts was projected to decrease \$131,000 from when it was originally estimated in March of the prior year. Use of money and property and intergovernmental were also expected to increase \$87,363. The budget amendment also provided for an increase in disbursements of \$734,232. Most of this increase can be accounted for in the public works function with an increase of \$521,757. As noted above, the purchase of the old elevator property accounted for most of this increase. In addition, the culture and recreation function increased \$73,932 to account for increased programming disbursements and improvements to the Grimes Community Complex. The community and economic development function increased \$50,000 to account for the grant given to facilitate economic development. The business type activities function also increased \$76,586 to account for lime removal from the water plant and the purchase of new computers. 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.

When all was said and done and the final numbers were calculated as of June 30, 2009, the variations between what was budgeted and what was actually received or disbursed are as follows. First of all, the culture and recreation function had a great year and came in right at budget. The expansion of programming has been phenomenal, as well as the interest in youth and adult programs. Gym space is once again an issue as more and more people are interested in indoor sports in the colder months when being outside isn't as desirable. The public safety function disbursed \$123,751 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 traffic safety were down. However, the wages budgeted for part time fire and rescue were up. The public works function was \$69,047 less than originally budgeted, of which most can be accounted for in the Special Revenue, Road Use Tax Fund which disbursed \$64,830 less than budgeted. This was due to the timing of payment on local street repairs. The capital projects function typically comes in under budget as the progress on these large projects is hard to estimate due to weather conditions or other outside factors beyond the normal control of the contractors. The capital projects function came in \$85,201 under budget. Parks, water, roads, GCC, sewer and storm sewer all experienced variances. The business type activities function, ie, water, sewer and solid waste, came in \$226,261 under budget. The Water Department accounted for \$102,189 of this variance due to the timing of the payment for lime removal costs as well as plant repair, building and grounds and testing costs which came in lower than originally estimated. The Sewer Utility accounted for \$98,662 of this variance. \$40,000 had been budgeted for line maintenance, but only \$2,600 had been disbursed as of June 30. As well, employee wages, building maintenance, office expense and utilities also came in under budget. Solid waste also came in under budget by \$25,410. Overall, spending was \$536,211 less than originally budgeted.

The budget to year-end receipts were also reviewed and are as follows. There always seems to be a little variation in property taxes budgeted versus those received because of the timing of the payments and the actual payments of taxes. Obviously, if someone doesn't pay their taxes, the City doesn't receive them, at least until they are finally paid in one manner or another. Franchise tax, mobile home tax, utility replacement and hotel motel tax all vary depending on the actual underlying revenue received for those services. An increase of \$34,488 over what had been budgeted for the Mediacom franchise tax was received. Hotel/motel tax was down \$7,986, not surprising given less people are traveling right now. Licenses and permits were also down by \$79,529 as less permits were pulled in fiscal year 2009. Use of money and property was actually \$84,399 more than originally budgeted due to the sale of some of the elevator buildings as well as interest received on investments. Charges for service was also down by \$176,708, water collections were \$106,981 less than estimated because construction was down and it is believed people were being more careful with their water usage due to the economy. As well, new building fees, tapping fees and construction use was \$92,605 less than originally estimated again due to the lull in new construction. Fire and rescue actually received \$60,171 more in fees than originally anticipated as the number of ambulance and fire calls continues to increase each year. As well, the City entered into a new agreement with a collection agency to facilitate the percentage of fees actually collected for these calls. That being said, the City Council will consider hardship cases and will waive fees if the situation warrants it. Special assessments received \$39,770 less than originally budgeted due to the timing of capital projects and when the actual developer pays their portion of their assessments. Road development fees are contingent upon the timing of projects as well.

DEBT ADMINISTRATION

At June 30, 2009, the City had approximately \$16.392 million in bonds and other long-term debt outstanding, compared to approximately \$17.807 million last year, as shown below.

	Outstanding Debt at Year-End	
	(Expressed in Thousands)	
	June 30,	
	2009	2008
General obligation bonds	\$ 8,170	8,980
Revenue bonds	7,810	8,313
Loan agreement	352	418
Lease-purchase agreements	60	96
Total	\$ 16,392	17,807

Debt decreased because payments were made as required. Prior year debt increased as a result of the passage of a \$5.2 million bond issue. \$700,000 of the proceeds from this issue was 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 parkland is developed, the City and school will develop another 28E agreement for the use of this property 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, 2009 was approximately \$881,000.

The City continues to carry a general obligation bond rating of A3 assigned by Moody's Investors Service to the City's debt in fiscal year 2008 and was recently reconfirmed during an analysis completed before the issuance of \$10,000,000 in bonds in fiscal year 2010. During an interview with the Moody's analyst, she noted she would take to the Review Committee a recommendation for an upgrade to A2. However, she wasn't sure, given the current economic climate, if that would be approved. It wasn't approved but the Committee continued to note 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 \$9.472 million is significantly below its constitutional debt limit of approximately \$26 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 2010 budget, tax rates and fees charged for various City activities. One of the factors the City 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. However, it was not needed in 2009.

The City's valuation continues to significantly increase. Valuation, excluding TIF designated areas, rose from \$481,415,782 in fiscal year 2009 to \$548,084,271 for the 2010 fiscal year budget. This was an increase of 13.85%, or \$66,668,489. Property tax receipts are projected to increase \$376,732. 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 valued at \$9,781,523. In fiscal year 2009, there were 92 single family permits valued at \$12,937,435, 16 multi-family permits valued at \$1,260,000 and 4 commercial permits valued at \$2,321,915. Consistent with all of the budget variances due to the decline in building, these numbers reaffirm the downturn. However, it should be noted the

beginning of fiscal year 2010 has indicated a renewed confidence in the market. In July 2008, the City of Grimes issued 9 single family permits. However, 15 were issued in July of 2009. The trend continued with 8 issued in August of 2008 and 18 in August of 2009. As well, 32 townhomes were permitted in August of 2009. September continues the upward swing with 11 single family permits in 2008 and 27 in 2009. Compared to the overall metro for permits issued in calendar year 2009, Grimes ranked 5th with a total of 107 single family permits. 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: finalizing the lighting on the East 1st Street Project, James Street Stimulus project consisting of concrete pavement and storm sewer along with a bike trail, painting of the water tower standpipe, completion of the trail through the western Kennybrook area extended south of the cemetery and connecting to South 11th, SE 37th overlay project, Edgewood Water Main extension to facilitate the needs of the new Walmart and increasing water pressure on the northeast section of town and a new concession stand for the Sports Complex. As well, the \$6.7 million project for the widening and complete replacement of East/West 1st Street (Hwy 44) will be started in March 2010. Over the last three years, the South 19th Street Extension/Little Beaver Assessment, Grimes Mapping, Phase II Storm Water Permit, Grimes Storm Sewer Mapping, Xenia Water Agreement, South 6th Street Improvements and Destination Drive street improvements have all been completed. As well, a new HVAC system is being installed in the Grimes Community Complex to completely replace the old boiler system. A new Historical room was completed as an Eagle Scout project and a church is leasing and renovating three rooms which will be open to public use for receptions or large meetings.

In a prior year, 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. Also, 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 acres puts the City in a strong position for economic growth. The City continues to look at additional areas to the west and north to facilitate future development.

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. Johnston and Grimes have both agreed upon the border on the east of Grimes. All land along the east of Grimes is contingent with Johnston or Urbandale, as well as land to the south of Grimes.

These indicators were taken into account when adopting the budget for fiscal year 2010. Amounts available for appropriation in the general operating budget for government activities are \$6.771 million, an increase of 4.8% from the final 2009 actual operating and debt service receipts of \$6.460 million. Property tax (benefiting from the increases in assessed valuations) provide for increases in receipts in the General Fund of over \$400,000. \$139,545 more in debt service was certified because, although there are lower bond payments on a few of the issues, a prelevy was done in anticipation of the upcoming \$10,000,000 bond issue. As well, \$81,272 less in TIF was certified. Water and sewer receipts are budgeted higher than FY 2009 due to the increase in building permits. As always, when the budget is certified in March of each year, the actual numbers of the current budget aren't known so receipts are always estimated conservatively. Historically, actual receipts have exceeded budgeted receipts with limited exceptions. 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 \$39,000 from actual disbursements of \$4.301 million to \$4.340 million, or .9%. This change is mainly due to an increase in the Polk County Sheriff's contract of \$68,000, an increase of \$75,000 for fire and rescue due to an increase in personnel and associated operating costs and an increase in inspection costs of \$171,690. The Fire Department now has three full time and one full-time equivalent on staff during the day. The culture and recreation function increased \$93,054, mainly due to increasing operational costs of the park system as a whole and wages to have the Grimes Community Complex staffed during all normal operating hours. The general government function is also expected to increase \$68,510 as all the positions have currently been filled. If all of the estimates are realized, the City's budgeted General Fund cash balance is expected to increase about \$115,000.

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 kellbrown@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, 2009

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 1,126,024	386,645	5,305	-
Public works	1,660,313	-	486,369	-
Culture and recreation	778,958	116,348	41,419	-
Community and economic development	160,916	-	72,049	-
General government	577,086	36,565	44,030	-
Debt service	1,585,293	60,230	40	172,142
Capital projects	4,089,799	36,380	-	1,497,740
Total governmental activities	9,978,389	636,168	649,212	1,669,882
Business type activities:				
Water	1,208,812	1,527,860	-	-
Sewer	775,338	983,953	-	-
Solid waste	226,089	194,793	-	-
Total business type activities	2,210,239	2,706,606	-	-
Total	\$ 12,188,628	3,342,774	649,212	1,669,882
General Receipts:				
Property and other city tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Unrestricted interest on investments				
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
(734,074)	-	(734,074)
(1,173,944)	-	(1,173,944)
(621,191)	-	(621,191)
(88,867)	-	(88,867)
(496,491)	-	(496,491)
(1,352,881)	-	(1,352,881)
(2,555,679)	-	(2,555,679)
(7,023,127)	-	(7,023,127)
-	319,048	319,048
-	208,615	208,615
-	(31,296)	(31,296)
-	496,367	496,367
(7,023,127)	496,367	(6,526,760)
2,955,037	-	2,955,037
881,205	-	881,205
961,294	-	961,294
117,717	82	117,799
86,501	-	86,501
450,000	(450,000)	-
5,451,754	(449,918)	5,001,836
(1,571,373)	46,449	(1,524,924)
4,792,202	2,200,183	6,992,385
\$ 3,220,829	2,246,632	5,467,461
\$ 53,823	-	53,823
1,283,989	58,175	1,342,164
541,740	-	541,740
1,341,277	2,188,457	3,529,734
\$ 3,220,829	2,246,632	5,467,461

City of Grimes

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

As of and for the year ended June 30, 2009

	Special Revenue		
	General	Road Use Tax	Tax Increment Financing
Receipts:			
Property tax	\$ 2,404,401	-	-
Tax increment financing	-	-	881,205
Other city tax	197,810	-	-
Licenses and permits	184,396	-	-
Use of money and property	154,282	-	-
Intergovernmental	43,073	486,369	-
Charges for service	269,886	-	-
Special assessments	-	-	-
Miscellaneous	73,273	-	-
Total receipts	<u>3,327,121</u>	<u>486,369</u>	<u>881,205</u>
Disbursements:			
Operating:			
Public safety	1,110,379	-	-
Public works	957,144	703,169	-
Culture and recreation	744,092	-	-
Community and economic development	100,916	-	-
General government	577,086	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>3,489,617</u>	<u>703,169</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(162,496)</u>	<u>(216,800)</u>	<u>881,205</u>
Other financing sources (uses):			
Operating transfers in	377,856	-	-
Operating transfers out	-	(272,470)	(865,683)
Total other financing sources (uses)	<u>377,856</u>	<u>(272,470)</u>	<u>(865,683)</u>
Net change in cash balances	215,360	(489,270)	15,522
Cash balances beginning of year	2,110,419	543,093	22,197
Cash balances end of year	<u>\$ 2,325,779</u>	<u>53,823</u>	<u>37,719</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ -	-	-
Unreserved:			
General fund	2,325,779	-	-
Special revenue funds	-	53,823	37,719
Capital projects fund	-	-	-
Total cash basis fund balances	<u>\$ 2,325,779</u>	<u>53,823</u>	<u>37,719</u>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
961,294	-	439,327	3,805,022
-	-	-	881,205
-	-	-	197,810
-	-	-	184,396
40	70,899	57,696	282,917
-	-	30,680	560,122
-	-	-	269,886
60,230	-	-	60,230
172,142	1,463,221	6,792	1,715,428
1,193,706	1,534,120	534,495	7,957,016
-	-	15,645	1,126,024
-	-	-	1,660,313
-	-	34,866	778,958
-	-	60,000	160,916
-	-	-	577,086
1,585,293	-	-	1,585,293
-	4,089,799	-	4,089,799
1,585,293	4,089,799	110,511	9,978,389
(391,587)	(2,555,679)	423,984	(2,021,373)
538,153	1,050,000	-	1,966,009
-	-	(377,856)	(1,516,009)
538,153	1,050,000	(377,856)	450,000
146,566	(1,505,679)	46,128	(1,571,373)
1,137,423	530,550	448,520	4,792,202
1,283,989	(975,129)	494,648	3,220,829
1,283,989	-	-	1,283,989
-	-	-	2,325,779
-	-	494,648	586,190
-	(975,129)	-	(975,129)
1,283,989	(975,129)	494,648	3,220,829

City of Grimes

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

As of and for the year ended June 30, 2009

	Enterprise			
	Water	Sewer	Nonmajor Solid Waste	Total
Operating receipts:				
Charges for service	\$ 1,527,860	983,953	194,793	2,706,606
Operating disbursements:				
Business type activities	784,269	335,385	226,089	1,345,743
Excess (deficiency) of operating receipts over (under) operating disbursements	743,591	648,568	(31,296)	1,360,863
Non-operating receipts (disbursements):				
Interest on investments	82	-	-	82
Debt service	(424,543)	(439,953)	-	(864,496)
Net non-operating disbursements	(424,461)	(439,953)	-	(864,414)
Excess (deficiency) of receipts over (under) disbursements	319,130	208,615	(31,296)	496,449
Operating transfers out	(200,000)	(250,000)	-	(450,000)
Net change in cash balances	119,130	(41,385)	(31,296)	46,449
Cash balances beginning of year	967,472	1,188,208	44,503	2,200,183
Cash balances end of year	\$ 1,086,602	1,146,823	13,207	2,246,632
Cash Basis Fund Balances				
Reserved for debt service	\$ 57,963	212	-	58,175
Unreserved	1,028,639	1,146,611	13,207	2,188,457
Total cash basis fund balances	\$ 1,086,602	1,146,823	13,207	2,246,632

See notes to financial statements.

City of Grimes

Notes to Financial Statements

June 30, 2009

(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 tax increment financing collections and the repayment of tax increment financing indebtedness.

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 wastewater 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, 2009, disbursements exceeded the amount budgeted in the debt service function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2009 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 \$58,975 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City's investment in the Iowa Public Agency Investment Trust is unrated.

(3) 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
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	765,000	217,520	609,000	219,219	1,374,000	436,739
2015-2019	3,240,000	623,883	3,422,000	719,383	6,662,000	1,343,266
2020-2022	1,315,000	109,265	1,564,000	92,600	2,879,000	201,865
Total	\$ 8,170,000	2,103,726	7,810,000	2,128,825	15,980,000	4,232,551

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$5,976,000 of water revenue bonds issued in December 2000. Proceeds from the bonds provided financing for the construction of water main extensions. The bonds are payable solely from water customer net receipts and are payable through 2021. Annual principal and interest payments on the bonds are expected to require less than 57 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$5,068,053. For the current year, principal and interest paid and total customer net receipts were \$422,376 and \$743,673, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$5,372,000 of sewer revenue bonds issued in December 2000. Proceeds from the bonds provided financing for the construction of improvements to the sewer treatment plant. The bonds are payable solely from sewer customer net receipts and are payable through 2021. Annual principal and interest payments on the bonds are expected to require less than 74 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$4,870,772. For the current year, principal and interest paid and total customer net receipts were \$406,097 and \$555,576, respectively.

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 receipts 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
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	4.48	50,000	4,470	-	-	-	50,000	4,470
2015	4.58	48,681	2,230	-	-	-	48,681	2,230
Total		<u>\$ 298,681</u>	<u>45,750</u>		<u>\$ 53,536</u>	<u>5,211</u>	<u>352,217</u>	<u>50,961</u>

Payments under the agreements for the year ended June 30, 2009 totaled \$84,236.

Lease-Purchase Agreements

In a prior year, the City entered into a lease-purchase agreement to lease a fire truck. The fire truck was paid off in full during the year ended June 30, 2009.

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, 2009:

Year Ending June 30,	Truck and Snow Plow
2010	\$ 22,562
2011	22,562
2012	22,561
Total minimum lease payments	<u>67,685</u>
Less amount representing interest	<u>(7,229)</u>
Present value of net minimum lease payments	<u>\$ 60,456</u>

Payments under the agreements for the year ended June 30, 2009 totaled \$40,581.

(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 4.10% of their annual covered salary and the City is required to contribute 6.35% 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, 2009, 2008 and 2007 were \$72,082, \$54,907 and \$43,140, 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, 2009, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 64,000
Compensatory time	16,000
Total	<u>\$ 80,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2009.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Employee Benefits	\$ 377,856
Debt Service	Special Revenue: Road Use Tax Tax Increment Financing	272,470 265,683
Capital Projects	Special Revenue: Tax Increment Financing Enterprise: Water Sewer	600,000 200,000 250,000
Total		<u>\$ 1,966,009</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 of 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 577 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, 2009 were \$121,568.

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, 2009, 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 casualty 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 casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty 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 four development and rebate agreements to assist in certain urban renewal projects. The City agreed to rebate incremental tax paid by the developers in exchange for the 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 tax 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 tax 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 \$1,023,141. The agreements do not include provisions for payment of interest.

During the year ended June 30, 2009, the City rebated \$40,151 of incremental tax 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, 2009 is \$889,674.

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 \$1,013,435. 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, 2009, 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, 2009 is \$55,935.

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 costs paid by the developer or \$434,402. The developer agreement is in effect until fully reimbursed. During the year ended June 30, 2009, the City reimbursed the developer \$31,866 from sewer tapping fees. The outstanding principal balance on this agreement at June 30, 2009 is \$357,645.

(9) Economic Development Loans

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, 2009, the outstanding loan balance is \$35,636.

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 in May 2011 for a period of two years. As of June 30, 2009, 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 \$5,329,731. As of June 30, 2009, costs of \$4,929,967 had been paid on the contracts. The remaining \$399,764 will be paid as work on these projects progresses.

(12) Deficit Balances

The Capital Projects Fund and the Special Revenue, Metro Waste Authority Fund had deficit balances of \$975,129 and \$9,373, respectively, at June 30, 2009. The deficit balances were a result of project costs incurred prior to availability of funds. The deficits will be eliminated upon receipt of bond proceeds and a state grant.

(13) Subsequent Event

In September 2009, the City approved and authorized the sale and issuance of \$10,000,000 of general obligation corporate purpose bonds, Series 2009. \$9,199,000 is to be used for the construction of streets, waterworks system and sanitary sewer system improvements. \$500,000 is for the purpose of constructing and installing heating, ventilation and air conditioning improvements at the Grimes Community Complex and \$301,000 is to be used for demolishing buildings and preparing a new municipal comprehensive plan.

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, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 3,805,022	-	3,805,022
Tax increment financing	881,205	-	881,205
Other city tax	197,810	-	197,810
Licenses and permits	184,396	-	184,396
Use of money and property	282,917	82	282,999
Intergovernmental	560,122	-	560,122
Charges for service	269,886	2,706,606	2,976,492
Special assessments	60,230	-	60,230
Miscellaneous	1,715,428	-	1,715,428
Total receipts	<u>7,957,016</u>	<u>2,706,688</u>	<u>10,663,704</u>
Disbursements:			
Public safety	1,126,024	-	1,126,024
Public works	1,660,313	-	1,660,313
Health and social services	-	-	-
Culture and recreation	778,958	-	778,958
Community and economic development	160,916	-	160,916
General government	577,086	-	577,086
Debt service	1,585,293	-	1,585,293
Capital projects	4,089,799	-	4,089,799
Business type activities	-	2,210,239	2,210,239
Total disbursements	<u>9,978,389</u>	<u>2,210,239</u>	<u>12,188,628</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(2,021,373)</u>	496,449	<u>(1,524,924)</u>
Other financing sources (uses):			
Bond proceeds	-	-	-
Transfers in (out)	450,000	(450,000)	-
Total other financing sources (uses)	<u>450,000</u>	<u>(450,000)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>(1,571,373)</u>	46,449	<u>(1,524,924)</u>
Balances beginning of year	<u>4,792,202</u>	<u>2,200,183</u>	<u>6,992,385</u>
Balances end of year	<u>\$ 3,220,829</u>	<u>2,246,632</u>	<u>5,467,461</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total Variance
3,780,868	3,896,494	(91,472)
865,683	865,683	15,522
237,616	121,992	75,818
394,925	263,925	(79,529)
145,200	198,600	84,399
518,614	552,577	7,545
2,905,301	3,153,200	(176,708)
100,000	100,000	(39,770)
26,750	63,100	1,652,328
<u>8,974,957</u>	<u>9,215,571</u>	<u>1,448,133</u>
1,226,118	1,249,775	123,751
1,207,603	1,729,360	69,047
8,000	-	-
705,989	779,921	963
118,000	168,000	7,084
554,900	601,200	24,114
1,585,083	1,585,083	(210)
4,225,000	4,175,000	85,201
2,359,914	2,436,500	226,261
<u>11,990,607</u>	<u>12,724,839</u>	<u>536,211</u>
<u>(3,015,650)</u>	<u>(3,509,268)</u>	<u>1,984,344</u>
2,750,000	2,750,000	(2,750,000)
-	750,000	(750,000)
<u>2,750,000</u>	<u>3,500,000</u>	<u>(3,500,000)</u>
(265,650)	(9,268)	(1,515,656)
<u>4,910,730</u>	<u>6,992,386</u>	<u>(1)</u>
<u>4,645,080</u>	<u>6,983,118</u>	<u>(1,515,657)</u>

City of Grimes

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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 \$734,232. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the debt service 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, 2009

	Employee Benefits	Emergency	Economic Development Revolving Loan
Receipts:			
Property tax	\$ 359,717	79,610	-
Use of money and property	-	-	57,696
Intergovernmental	-	-	-
Miscellaneous	-	-	-
Total receipts	<u>359,717</u>	<u>79,610</u>	<u>57,696</u>
Disbursements:			
Operating:			
Public safety	-	-	-
Culture and recreation	-	-	-
Community and economic development	-	-	60,000
Total disbursements	<u>-</u>	<u>-</u>	<u>60,000</u>
Excess (deficiency) of receipts over (under) disbursements	359,717	79,610	(2,304)
Other financing uses:			
Operating transfers out	(377,856)	-	-
Net change in cash balances	(18,139)	79,610	(2,304)
Cash balances beginning of year	103,722	109,858	144,984
Cash balances end of year	<u>\$ 85,583</u>	<u>189,468</u>	<u>142,680</u>
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	<u>\$ 85,583</u>	<u>189,468</u>	<u>142,680</u>

See accompanying independent auditor's report.

Special Revenue					
Metro Waste Authority	Fire Department FEMA Grant	Park and Recreation	Library	Rolow Memorial	Total
-	-	-	-	-	439,327
-	-	-	-	-	57,696
14,353	5,230	2,610	8,487	-	30,680
-	-	-	6,792	-	6,792
14,353	5,230	2,610	15,279	-	534,495
-	15,645	-	-	-	15,645
23,726	-	-	11,140	-	34,866
-	-	-	-	-	60,000
23,726	15,645	-	11,140	-	110,511
(9,373)	(10,415)	2,610	4,139	-	423,984
-	-	-	-	-	(377,856)
(9,373)	(10,415)	2,610	4,139	-	46,128
-	10,415	3,755	73,953	1,833	448,520
(9,373)	-	6,365	78,092	1,833	494,648
(9,373)	-	6,365	78,092	1,833	494,648

City of Grimes
Schedule of Indebtedness
Year ended June 30, 2009

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	Redeemed During Year	Balance End of Year	Interest Paid
1,815,000	195,000	1,620,000	81,618
1,930,000	160,000	1,770,000	69,187
290,000	190,000	100,000	8,710
4,945,000	265,000	4,680,000	199,510
<u>\$ 8,980,000</u>	<u>810,000</u>	<u>8,170,000</u>	<u>359,025</u>
4,334,000	268,000	4,066,000	154,376
3,979,000	235,000	3,744,000	171,097
<u>\$ 8,313,000</u>	<u>503,000</u>	<u>7,810,000</u>	<u>325,473</u>
348,681	50,000	298,681	14,655
69,775	16,239	53,536	3,342
<u>\$ 418,456</u>	<u>66,239</u>	<u>352,217</u>	<u>17,997</u>
16,985	16,985	-	1,034
79,357	18,901	60,456	3,661
<u>\$ 96,342</u>	<u>35,886</u>	<u>60,456</u>	<u>4,695</u>

City of Grimes

Bond Maturities

June 30, 2009

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	
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>\$1,620,000</u>		<u>\$1,770,000</u>		<u>\$ 100,000</u>		<u>\$4,680,000</u>	<u>8,170,000</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%	\$ 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>\$ 3,646,000</u>		<u>\$ 420,000</u>	<u>4,066,000</u>		<u>\$ 3,744,000</u>	<u>7,810,000</u>

City of Grimes

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

For the Last Seven Years

	2009	2008	2007	2006
Receipts:				
Property tax	\$ 3,805,022	3,239,293	2,853,663	2,502,802
Tax increment financing	881,205	966,128	761,226	817,073
Other city tax	197,810	198,987	112,067	68,100
Licenses and permits	184,396	427,871	425,331	355,345
Use of money and property	282,917	311,866	154,674	101,908
Intergovernmental	560,122	582,316	1,073,834	890,894
Charges for service	269,886	252,863	240,383	414,290
Special assessments	60,230	37,859	49,060	137,137
Miscellaneous	1,715,428	1,678,958	1,756,010	1,428,522
Total	\$ 7,957,016	7,696,141	7,426,248	6,716,071
Disbursements:				
Operating:				
Public safety	\$ 1,126,024	1,066,345	824,398	1,139,269
Public works	1,660,313	1,045,823	767,595	684,261
Health and social services	-	-	6,067	33,583
Culture and recreation	778,958	575,730	480,494	542,363
Community and economic development	160,916	141,481	58,799	128,219
General government	577,086	497,589	486,222	499,030
Debt service	1,585,293	1,834,602	1,371,799	1,413,924
Capital projects	4,089,799	4,379,280	5,092,309	3,362,209
Total	\$ 9,978,389	9,540,850	9,087,683	7,802,858

See accompanying independent auditor's report.

2005	2004	2003
2,307,906	2,097,510	1,950,430
670,298	778,617	339,941
107,372	17,606	73,911
295,902	199,711	181,354
123,906	87,329	51,408
1,378,470	566,563	572,297
426,201	182,481	118,126
437,247	-	-
2,669,863	31,724	278,697
8,417,165	3,961,541	3,566,164
1,430,441	671,961	566,187
771,074	680,222	873,301
39,000	48,000	42,250
411,536	354,637	388,090
57,634	47,633	37,318
445,296	383,215	338,916
1,092,771	900,224	686,192
4,817,303	2,406,198	2,601,271
9,065,055	5,492,090	5,533,525

City of Grimes



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report 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, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 3, 2009. 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.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

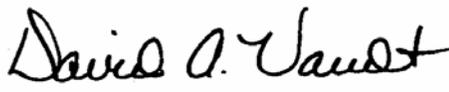
As part of obtaining reasonable assurance about whether the City of Grimes' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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, 2009 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

November 3, 2009

City of Grimes
Schedule of Findings
Year ended June 30, 2009

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- (A) Credit Cards – The City uses credit cards to purchase items on-line or where purchase orders cannot be completed. One of the credit cards is also a debit card tied to Bankers Trust. The custody of the card is maintained by the individual who also reviews the Bankers Trust account.

Recommendation – The City should remove the debit card capabilities to ensure the disbursements are not automatically deducted from the City’s account. In addition, the City should have an independent person review the bank account to ensure the individual with custody of the card is not the person reviewing the account.

Response – The City of Grimes is in the process of determining options for continuing with the use of credit cards without debit card capabilities and will discontinue the use of debit cards altogether. As well, the payment for the credit card will not be an automatic debit from the checking account but will be completely reviewed and paid by check after the statements has been approved by a person independent of the card holder.

Conclusion – Response accepted.

- (B) Permit Reconciliations – The City issues permits for various items such as new construction, fireplaces, fences, sheds, plumbing, mechanical, electrical and other items. The City maintains logs that are used to track the permit number, date permit was pulled, date permit was returned, receipt number, receipt date and amount of receipt.

During a review of permits, we identified two logs tracking permit information. However, the logs were not reconciled to each other to ensure completeness. In addition, the logs were not reconciled monthly to collections posted to the accounting system.

Also, when permits are returned, the application is not being mathematically recalculated to ensure accuracy. Therefore, the City may not be paid the proper amount.

Recommendation – The City should ensure the permit logs are being reconciled monthly to the collections per the accounting system and, if two separate logs are maintained, the logs should be reconciled to each other to ensure completeness.

In addition, permit applications should be recalculated to ensure the applicant completed the application properly and accurately.

Response – The City of Grimes is in the process of reviewing the months prior to the audit and, starting October 1, will review and reconcile permits on a monthly basis.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Grimes
 Schedule of Findings
 Year ended June 30, 2009

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amount budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The City of Grimes will comply with Chapter 384.18 of the Code of Iowa and will not expend resources beyond the authority in the budget. As well, the City of Grimes will budget a contingency in the event bond payment fees are higher than originally projected.

Conclusion – Response accepted.

- (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	Playground equipment, per bid	\$ 42,193

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 – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (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.

City of Grimes

Schedule of Findings

Year ended June 30, 2009

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, 2009 were less than required.

Recommendation – The City should 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 of Grimes will ensure adequate transfers are made to the sinking accounts so the balances at year end are equal to the amounts required for the upcoming month.

Conclusion – Response accepted.

- (9) Financial Condition – The Capital Projects Fund and the Special Revenue, Metro Waste Authority Fund had deficit balances at June 30, 2009 of \$975,129 and \$9,373, respectively.

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

Response – The \$10,000,000 bond issue will be recorded in the Capital Projects Fund. We expended the funds before the bond issue was passed in anticipation of that money. For the Special Revenue, Metro Waste Authority Fund, the actual revenue from the grant was received in July. We had to spend the money and submit the receipts to get reimbursed. We received \$25,379.

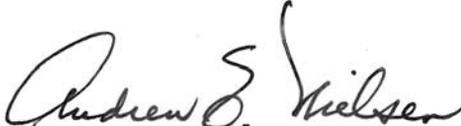
Conclusion – Response accepted.

City of Grimes

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Melissa J. Knoll-Speer, Senior Auditor
James R. Wittenwyler, Staff Auditor
Clinton J. Krapfl, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State