



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ November 8, 2010

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Auditor of State David A. Vaudt today released an audit report on the City of Griswold, Iowa for the years ended June 30, 2010 and 2009.

The City's receipts totaled \$1,157,416 for the year ended June 30, 2010, a 4% increase over the prior year. The receipts included \$231,098 in property tax, \$91,804 from tax increment financing, \$512,806 from charges for service, \$179,174 from operating grants, contributions and restricted interest, \$22,055 from capital grants, contributions and restricted interest, \$100,280 from local option sales tax, \$5,456 from unrestricted interest on investments and \$14,743 from other general receipts.

Receipts totaled \$1,116,446 for the year ended June 30, 2009, a 3% increase over the prior year. The receipts included \$228,659 in property tax, \$79,647 from tax increment financing, \$488,352 from charges for service, \$163,217 from operating grants, contributions and restricted interest, \$23,974 from capital grants, contributions and restricted interest, \$105,023 from local option sales tax, \$13,715 from unrestricted interest on investments and \$13,859 from other general receipts.

Disbursements for the year ended June 30, 2010 totaled \$966,043, a 3% percent increase over the prior year, and included \$176,534 for public safety, \$169,129 for culture and recreation and \$198,760 for debt service. Disbursements for business type activities totaled \$241,826.

Disbursements for the year ended June 30, 2009 totaled \$933,953, a 4% increase over the prior year, and included \$169,704 for public safety, \$230,262 for debt service and \$130,496 for culture and recreation. Disbursements for business type activities totaled \$200,500.

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/1021-0130-B00F.pdf>.

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CITY OF GRISWOLD

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

JUNE 30, 2010 AND 2009

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City of Griswold

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|------------------------------|------------------------------|---------------------|
| (Before January 2010) | | |
| Jerry Putnam | Mayor | Jan 2012 |
| Lee Wyman | Council Member | Jan 2010 |
| Derik Shields | Council Member | Jan 2010 |
| Phil Rink | Council Member | Jan 2012 |
| Kevin Carlisle | Council Member | Jan 2012 |
| Gary Bergstrom | Council Member | Jan 2012 |
| Marylynne Dickinson | Interim City Clerk/Treasurer | Indefinite |
| Brian Daiker | Attorney | Indefinite |
| (After January 2010) | | |
| Jerry Putnam | Mayor | Jan 2012 |
| Phil Rink | Council Member | Jan 2012 |
| Kevin Carlisle | Council Member | Jan 2012 |
| Gary Bergstrom | Council Member | Jan 2012 |
| Julie Adams | Council Member | Jan 2013 |
| Jared Wyman | Council Member | Jan 2013 |
| Marylynne Dickinson | City Clerk | Indefinite |
| Jessica Kinser | City Manager | Indefinite |
| Matt Woods | Attorney | Through June 2010 |
| David Wiederstein | Attorney | Indefinite |

City of Griswold



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Griswold, Iowa, as of and for the years ended June 30, 2010 and 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 Griswold's 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 audits provide 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 Griswold as of June 30, 2010 and 2009, and the respective changes in cash basis financial position for the years then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 8, 2010 on our consideration of the City of Griswold's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 36 through 40 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Griswold's basic financial statements. Other auditors previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2008 (which are not presented herein) and expressed qualified opinions on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, since the other auditors were unable to satisfy themselves as to the distribution by fund of the total fund balance at July 1, 2007. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 8, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Griswold provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal years ended June 30, 2010 and 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 3.6%, or approximately \$26,000, from fiscal year 2009 to fiscal year 2010.
- Disbursements of the City's governmental activities decreased 1.4%, or approximately \$10,000, in fiscal year 2010 from fiscal year 2009. Culture and recreation function disbursements increased approximately \$38,000. Public safety function disbursements increased approximately \$7,000 and debt service function disbursements decreased approximately \$31,000.
- The City's total cash basis net assets increased 15%, or approximately \$191,400, from June 30, 2009 to June 30, 2010. Of this amount, the net assets of the governmental activities increased approximately \$94,700 and the net assets of the business type activities increased approximately \$96,700.

2009 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 9.7%, or approximately \$64,000, from fiscal year 2008 to fiscal year 2009. Property tax, including tax increment financing, increased approximately \$51,000.
- Disbursements of the City's governmental activities increased 11%, or approximately \$73,000, in fiscal year 2009 over fiscal year 2008. Public safety function disbursements increased approximately \$40,000. Culture and recreation function disbursements increased approximately \$37,000. Public works and general government function disbursements increased approximately \$13,000 and \$13,000, respectively.
- The City's total cash basis net assets increased 17%, or approximately \$182,500, from June 30, 2008 to June 30, 2009. Of this amount, the net assets of the governmental activities increased approximately \$88,500 and the net assets of the business type activities increased approximately \$94,000.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statement consists of a 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 each 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, culture and recreation, community and economic development, general government and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Sales Tax and Tax Increment Financing, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statement provides a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

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

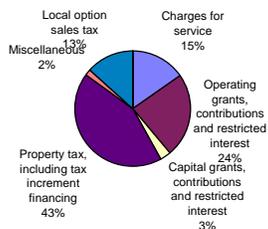
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

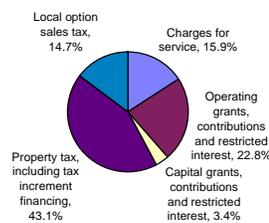
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from June 30, 2009 to June 30, 2010 and from June 30, 2008 to June 30, 2009, increasing from \$1,242,647 to \$1,434,020 and from \$1,060,154 to \$1,242,647, respectively. 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 (Expressed in Thousands) | | |
|---|---|------------|------------|
| | Year ended June 30, | | |
| | 2010 | 2009 | 2008 |
| Receipts: | | | |
| Program receipts: | | | |
| Charges for service | \$ 114 | 114 | 91 |
| Operating grants, contributions and restricted interest | 179 | 163 | 204 |
| Capital grants, contributions and restricted interest | 22 | 24 | 7 |
| General receipts: | | | |
| Property tax, including tax increment financing | 323 | 309 | 258 |
| Local option sales tax | 100 | 105 | 91 |
| Miscellaneous | 13 | 10 | 10 |
| Total receipts | 751 | 725 | 661 |
| Disbursements: | | | |
| Public safety | 177 | 170 | 130 |
| Public works | 99 | 119 | 106 |
| Culture and recreation | 169 | 131 | 94 |
| Community and economic development | 12 | 12 | 29 |
| General government | 68 | 72 | 59 |
| Debt service | 199 | 230 | 243 |
| Total disbursements | 724 | 734 | 661 |
| Change in cash basis net assets before transfers | 27 | (9) | - |
| Transfers, net | 68 | 97 | 131 |
| Change in cash basis net assets | 95 | 88 | 131 |
| Cash basis net assets beginning of year | 823 | 735 | 604 |
| Cash basis net assets end of year | \$ 918 | 823 | 735 |

Receipts by Source - Year ended June 30, 2010



Receipts by Source - Year ended June 30, 2009



For fiscal year 2010, the City's total receipts for governmental activities increased 3.6%, or approximately \$26,000. The increase in receipts was primarily due to an increase in property tax, including tax increment financing. The total cost of all programs and services decreased approximately \$10,000, or 1.4%.

For fiscal year 2009, the City's total receipts for governmental activities increased 9.7%, or approximately \$64,000. The total cost of all programs and services increased approximately \$73,000, or 11%, with no new programs added this year. The increase in receipts was primarily the result of increased property tax, local option sales tax and tax increment financing.

The City's property tax rates were \$13.48154 and \$13.65896 per \$1,000 of taxable valuation for the years ending June 30, 2010 and June 30, 2009, respectively. Property tax receipts are projected to increase \$2,743 for the fiscal year ending June 30, 2011 based upon a property tax rate of \$14.9999 per \$1,000 of taxable valuation.

The cost of all governmental activities was approximately \$724,000 in fiscal year 2010 and \$734,000 in fiscal year 2009 compared to \$661,000 in fiscal year 2008. However, as shown in the Statement of Activities and Net Assets on pages 16-19, the amount taxpayers ultimately financed for these activities was approximately \$409,000 in fiscal year 2010 and \$432,000 in fiscal year 2009 because some of the cost was paid by those directly benefited from the programs (\$114,000 in fiscal year 2010 and \$114,000 in fiscal year 2009) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$201,000 in fiscal year 2010 and \$187,000 in fiscal year 2009). Overall, the City's governmental activities from program receipts, including intergovernmental aid and fees for service, remained fairly stable from fiscal year 2008 to fiscal year 2010. The City paid for the remaining "public benefit" portion of governmental activities (\$409,000 in fiscal year 2010 and \$432,000 in fiscal year 2009) with taxes (some of which could only be used for certain programs) and other receipts, such as interest and general entitlements.

| Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands) | | | |
|--|---------------------|------------|------------|
| | Year ended June 30, | | |
| | 2010 | 2009 | 2008 |
| Receipts: | | | |
| Program receipts: | | | |
| Charges for service: | | | |
| Water | \$ 214 | 222 | 228 |
| Sewer | 185 | 152 | 140 |
| Operating grants, contributions, and restricted interest | - | - | 20 |
| General receipts: | | | |
| Unrestricted interest on investments | 3 | 6 | 10 |
| Miscellaneous | 5 | 11 | 29 |
| Total receipts | <u>407</u> | <u>391</u> | <u>427</u> |
| Disbursements: | | | |
| Water | 142 | 111 | 133 |
| Sewer | 100 | 89 | 108 |
| Total disbursements | <u>242</u> | <u>200</u> | <u>241</u> |
| Change in cash basis net assets before transfers | 165 | 191 | 186 |
| Transfers, net | (68) | (97) | (131) |
| Change in cash basis net assets | 97 | 94 | 55 |
| Cash basis net assets beginning of year | 419 | 325 | 270 |
| Cash basis net assets end of year | <u>\$ 516</u> | <u>419</u> | <u>325</u> |

Total business type activities receipts were approximately \$407,000 in fiscal year 2010 and approximately \$391,000 in fiscal year 2009 compared to approximately \$427,000 in fiscal year 2008. During fiscal year 2008, the City received over \$12,000 for insurance claims related to damage to a well house. The Sewer Fund also had more than normal reimbursements in fiscal year 2008, over \$36,000, mostly related to flooding in fiscal year 2008. In addition, charges for service for water have also dropped. In July 2007, the City had 540 water customers, but by June 2008 the amount had steadily decreased to about 500. The cash balance increased approximately \$97,000 and \$94,000 from fiscal year 2009 to fiscal year 2010 and from fiscal year 2008 to fiscal year 2009, respectively. Total disbursements increased 21% to approximately \$242,000 for fiscal year 2010 and decreased 17% to approximately 200,000 for fiscal year 2009. The decrease for fiscal year 2009 and then the increase for fiscal year 2010 are both related to the miscellaneous contracts line item for water. Fiscal year 2008 included items that were one-time, and not typical, like the building of an office for \$13,000, electric upgrades to a well house for \$7,400 and a

\$4,000 flowmeter. On the sewer side, fiscal year 2008 included the building of a retaining wall at the sewer plant as well as the replacement of pumps and electrical repairs due to flooding for \$19,000. The increase from fiscal year 2009 to fiscal year 2010 is attributed to the replacement of a pump at a wellhouse, which cost \$29,000 for parts and labor.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Griswold completed the year, its governmental funds reported a combined fund balance of \$917,858 for fiscal year 2010 and \$823,194 for fiscal year 2009, an increase of approximately \$95,000 and approximately \$88,000 above the prior years' totals, respectively. 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 \$27,286 from fiscal year 2009 to fiscal year 2010 to \$103,685 and decreased \$18,187 from fiscal year 2008 to fiscal year 2009 to \$76,399. The fiscal year 2010 increase is primarily due to an increase in property tax over fiscal year 2009.
- The Special Revenue, Road Use Tax Fund cash balance increased \$11,465 from fiscal year 2009 to fiscal year 2010 to \$6,075 and decreased \$7,485 from fiscal year 2008 to fiscal year 2009 to a balance of (\$5,390). The fiscal year 2010 increase was a result of a decrease in public works disbursements for street repairs.
- The Special Revenue, Local Option Sales Tax Fund was established in fiscal year 1996 to account for collections received from the local option sales tax. The fiscal year 2009 cash balance was \$72,767. The cash balance increased \$36,807 in fiscal year 2010 to \$109,574. The cash balance will be used for property tax relief, capital improvements, community betterment and community protection.
- The Special Revenue, Community Center Fund was established to account for collections and disbursements related to the Community Building. The fiscal year 2009 cash balance was \$120,215. The cash balance decreased in fiscal year 2010 to \$117,130, primarily due to increased maintenance costs.
- The Special Revenue, Tax Increment Financing Fund cash balance decreased \$3,691 to \$5,951 in fiscal year 2010 and increased \$7,134 to \$9,642 in fiscal year 2009.
- The Special Revenue, Rescue Fund cash balance increased \$8,324 from fiscal year 2009 to fiscal year 2010 to \$108,225 and increased \$40,541 from fiscal year 2008 to fiscal year 2009 to \$99,901.
- The Debt Service Fund cash balance decreased \$1,352 to \$752 during fiscal year 2010 and increased \$288 to \$2,104 during fiscal year 2009. These changes in balances were nominal. Bond principal, interest and bond registrar fee payments totaled \$198,760 and \$230,262 during fiscal years 2010 and 2009, respectively.
- The Capital Projects Fund cash balance decreased \$7,525 to \$192,974 during fiscal year 2010 and increased \$9,932 to \$200,499 during fiscal year 2009. In fiscal year 2009, \$10,000 was transferred into the Public Works Vehicle Replacement Fund, while over \$12,000 in furnishings were purchased using grant funds from the Library Capital Fund. In fiscal year 2010, \$44,000 in grant funds were returned from the Library Capital Fund, while \$35,000 was transferred into the Public Works Vehicle Replacement Fund.
- The Permanent, Cemetery Trust Fund cash balance increased \$379 to \$129,257 during fiscal year 2010 and increased \$1,700 to \$128,878 during fiscal year 2009. These changes in balances were nominal.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased \$79,325 to \$446,884 during fiscal year 2010 and increased \$89,988 to \$367,559 during fiscal year 2009. Receipts in the Water Fund remained fairly consistent from fiscal year 2008 to fiscal year 2010. Transfers to the Debt Service Fund decreased \$29,770 in fiscal year 2009 to \$26,045. No transfers were made to the Debt Service Fund for the Water Fund portion of the 2005 general obligation notes in fiscal year 2010.
- The Sewer Fund cash balance increased \$17,384 to \$69,278 during fiscal year 2010 and increased \$4,032 to \$51,894 during fiscal year 2009. The increase in receipts during fiscal year 2009 and fiscal year 2010 is due to rate increases.

BUDGETARY HIGHLIGHTS

Over the course of fiscal year 2010, the City amended its budget one time. The amendment was approved on May 17, 2010 and resulted in an increase in disbursements of \$61,876, primarily related to the return of \$44,000 in grant funds and for health benefits.

The City's receipts were \$72,560 more than budgeted. This was primarily due to the City not budgeting for the blended component units: the City Fire Department, Youth Sports Complex and the Special Revenue, Library Gift Fund.

Total disbursements were \$715 less than budgeted. Actual disbursements for public works, community and economic development, general government, debt service and business type activities were less than budgeted, primarily due to the timing of invoices from vendors.

The City exceeded the amount budgeted in the public safety and culture and recreation functions for the year ended June 30, 2010 and the fiscal year ended June 30, 2009 due to not budgeting for the Special Revenue, Library Gift Fund, the Library or the blended component units, the City Fire Department and the Youth Sports Complex. In the fiscal year ended June 30, 2009, the City also exceeded the amount budgeted in community and economic development function due to oversight.

Over the course of fiscal year 2009, the City amended its budget one time. The amendment was approved on May 18, 2009 and resulted in an increase in disbursements of \$108,250, primarily related to audit costs, storm and sanitary sewer maintenance and infrastructure engineering studies.

The City's receipts were \$72,041 more than budgeted. This was primarily due to the City receiving more fees for water and sewer than anticipated and for higher than anticipated usage and charges for service for the Rescue Fund.

Total disbursements were \$61,223 less than budgeted.

DEBT ADMINISTRATION

At June 30, 2010 and 2009, the City had \$977,000 and \$1,128,000, respectively, in bonds and notes outstanding, compared to \$1,303,000 at June 30, 2008, as shown below.

| | Outstanding Debt at Year-End | | |
|--------------------------|------------------------------|-------|-------|
| | (Expressed in Thousands) | | |
| | June 30, | | |
| | 2010 | 2009 | 2008 |
| General obligation bonds | \$ 75 | 85 | 120 |
| General obligation notes | 455 | 560 | 665 |
| Revenue bonds | 447 | 483 | 518 |
| Total | \$ 977 | 1,128 | 1,303 |

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$530,000 at June 30, 2010 is below the City's constitutional debt limit of approximately \$1,816,400. The City's outstanding general obligation debt of \$645,000 at the end of fiscal year 2009 was below the City's constitutional debt limit of approximately \$1,779,600.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Griswold's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates and fees charged for various City activities. The City's fiscal year 2011 assessed value increased 0.4%, or approximately \$74,000, from the fiscal year 2010 level.

The fiscal year 2011 budget includes total receipts of approximately \$1.275 million and disbursements of approximately \$1.334 million.

The fiscal year 2011 levy is \$14.99999 per \$1,000 of taxable valuation, which is an increase over fiscal year 2010 and includes an employee benefits levy of \$2.23916 per \$1,000 of taxable property valuation.

At the time these financial statements were prepared and audited, the City was aware of the following existing circumstances which could affect its financial health in the future.

- Residential development is continuing to occur.
- The City has received a \$388,000 grant for owner-occupied housing rehabilitation.
- The City continues to apply for grants to use in fiscal year 2011.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Marylynn Dickinson, City Clerk, 601 2nd Street, Griswold, IA 51535.

City of Griswold

Basic Financial Statements

City of Griswold

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2010

| | Disbursements | Program Receipts | | |
|---|---------------|---------------------|---|---|
| | | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| Functions/Programs: | | | | |
| Governmental activities: | | | | |
| Public safety | \$ 176,534 | 61,618 | 70,659 | 5,076 |
| Public works | 98,862 | - | 91,841 | 4,583 |
| Culture and recreation | 169,129 | 35,845 | 15,357 | 12,396 |
| Community and economic development | 12,402 | - | - | - |
| General government | 68,530 | 16,516 | 1,317 | - |
| Debt service | 198,760 | - | - | - |
| Total governmental activities | 724,217 | 113,979 | 179,174 | 22,055 |
| Business type activities: | | | | |
| Water | 141,800 | 213,549 | - | - |
| Sewer | 100,026 | 185,278 | - | - |
| Total business type activities | 241,826 | 398,827 | - | - |
| Total | \$ 966,043 | 512,806 | 179,174 | 22,055 |
| General Receipts and Transfers: | | | | |
| Property and other city tax levied for: | | | | |
| General purposes | | | | |
| Debt service | | | | |
| Tax increment financing | | | | |
| Local option sales tax | | | | |
| Unrestricted interest on investments | | | | |
| Miscellaneous | | | | |
| Sale of property | | | | |
| 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: | | | | |
| Nonexpendable: | | | | |
| Permanent fund | | | | |
| Expendable: | | | | |
| Streets | | | | |
| Local option sales tax | | | | |
| Community center | | | | |
| Tax increment financing | | | | |
| Rescue | | | | |
| Debt service | | | | |
| Capital projects | | | | |
| 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 |
| (39,181) | - | (39,181) |
| (2,438) | - | (2,438) |
| (105,531) | - | (105,531) |
| (12,402) | - | (12,402) |
| (50,697) | - | (50,697) |
| (198,760) | - | (198,760) |
| (409,009) | - | (409,009) |
| - | 71,749 | 71,749 |
| - | 85,252 | 85,252 |
| - | 157,001 | 157,001 |
| (409,009) | 157,001 | (252,008) |
| 197,535 | - | 197,535 |
| 33,563 | - | 33,563 |
| 91,804 | - | 91,804 |
| 100,280 | - | 100,280 |
| 2,477 | 2,979 | 5,456 |
| 7,655 | 5,079 | 12,734 |
| 2,009 | - | 2,009 |
| 68,350 | (68,350) | - |
| 503,673 | (60,292) | 443,381 |
| 94,664 | 96,709 | 191,373 |
| 823,194 | 419,453 | 1,242,647 |
| \$ 917,858 | 516,162 | 1,434,020 |
| \$ 129,257 | - | 129,257 |
| 6,075 | - | 6,075 |
| 109,574 | - | 109,574 |
| 117,130 | - | 117,130 |
| 5,951 | - | 5,951 |
| 108,225 | - | 108,225 |
| 752 | 4,544 | 5,330 |
| 192,974 | - | 192,974 |
| 144,235 | - | 144,235 |
| 103,685 | 511,618 | 615,269 |
| \$ 917,858 | 516,162 | 1,434,020 |

City of Griswold

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 | \$ 169,704 | 68,774 | 48,042 | 677 |
| Public works | 118,822 | - | 89,657 | 286 |
| Culture and recreation | 130,496 | 34,823 | 15,344 | 23,011 |
| Community and economic development | 12,488 | - | - | - |
| General government | 71,681 | 10,508 | 10,174 | - |
| Debt service | 230,262 | - | - | - |
| Total governmental activities | 733,453 | 114,105 | 163,217 | 23,974 |
| Business type activities: | | | | |
| Water | 111,095 | 221,838 | - | - |
| Sewer | 89,405 | 152,409 | - | - |
| Total business type activities | 200,500 | 374,247 | - | - |
| Total | \$ 933,953 | 488,352 | 163,217 | 23,974 |
| General Receipts and Transfers: | | | | |
| Property and other city tax levied for: | | | | |
| General purposes | | | | |
| Debt service | | | | |
| Tax increment financing | | | | |
| Local option sales tax | | | | |
| Unrestricted interest on investments | | | | |
| Miscellaneous | | | | |
| Sale of property | | | | |
| 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: | | | | |
| Nonexpendable: | | | | |
| Permanent fund | | | | |
| Expendable: | | | | |
| Local option sales tax | | | | |
| Community center | | | | |
| Rescue | | | | |
| Debt service | | | | |
| Capital projects | | | | |
| 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 |
| (52,211) | - | (52,211) |
| (28,879) | - | (28,879) |
| (57,318) | - | (57,318) |
| (12,488) | - | (12,488) |
| (50,999) | - | (50,999) |
| (230,262) | - | (230,262) |
| (432,157) | - | (432,157) |
| - | 110,743 | 110,743 |
| - | 63,004 | 63,004 |
| - | 173,747 | 173,747 |
| (432,157) | 173,747 | (258,410) |
| 177,387 | - | 177,387 |
| 51,272 | - | 51,272 |
| 79,647 | - | 79,647 |
| 105,023 | - | 105,023 |
| 7,496 | 6,219 | 13,715 |
| 1,040 | 10,819 | 11,859 |
| 2,000 | - | 2,000 |
| 96,765 | (96,765) | - |
| 520,630 | (79,727) | 440,903 |
| 88,473 | 94,020 | 182,493 |
| 734,721 | 325,433 | 1,060,154 |
| \$ 823,194 | 419,453 | 1,242,647 |
| \$ 128,878 | - | 128,878 |
| 72,767 | - | 72,767 |
| 120,215 | - | 120,215 |
| 99,901 | - | 99,901 |
| 2,104 | 4,578 | 6,682 |
| 200,499 | - | 200,499 |
| 127,821 | - | 127,821 |
| 71,009 | 414,875 | 485,884 |
| \$ 823,194 | 419,453 | 1,242,647 |

City of Griswold

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

As of and for the year ended June 30, 2010

| | General | Special Revenue | | |
|--|------------|--------------------|------------------------------|---------------------|
| | | Road Use Tax | Local Option Sales Tax | Community Center |
| Receipts: | | | | |
| Property tax | \$ 151,278 | - | - | - |
| Tax increment financing | - | - | - | - |
| Other city tax | 15,042 | - | 85,238 | - |
| Licenses and permits | 12,448 | - | - | - |
| Use of money and property | 10,226 | - | - | 15,028 |
| Intergovernmental | 16,989 | 91,841 | - | - |
| Charges for service | - | - | - | - |
| Miscellaneous | 85,995 | - | - | 250 |
| Total receipts | 291,978 | 91,841 | 85,238 | 15,278 |
| Disbursements: | | | | |
| Operating: | | | | |
| Public safety | 137,818 | - | - | - |
| Public works | 6,439 | 80,376 | - | - |
| Culture and recreation | 81,648 | - | - | 22,363 |
| Community and economic development | - | - | 12,402 | - |
| General government | 65,196 | - | - | - |
| Debt service | - | - | - | - |
| Total disbursements | 291,101 | 80,376 | 12,402 | 22,363 |
| Excess (deficiency) of receipts over (under) disbursements | 877 | 11,465 | 72,836 | (7,085) |
| Other financing sources (uses): | | | | |
| Operating transfers in | 30,409 | - | - | 4,000 |
| Operating transfers out | (4,000) | - | (36,029) | - |
| Total other financing sources (uses) | 26,409 | - | (36,029) | 4,000 |
| Net change in cash balances | 27,286 | 11,465 | 36,807 | (3,085) |
| Cash balances beginning of year | 76,399 | (5,390) | 72,767 | 120,215 |
| Cash balances end of year | \$ 103,685 | 6,075 | 109,574 | 117,130 |
| Cash Basis Fund Balances | | | | |
| Reserved for debt service | \$ - | - | - | - |
| Unreserved: | | | | |
| General fund | 103,685 | - | - | - |
| Special revenue funds | - | 6,075 | 109,574 | 117,130 |
| Capital projects fund | - | - | - | - |
| Permanent fund | - | - | - | - |
| Total cash basis fund balances | \$ 103,685 | 6,075 | 109,574 | 117,130 |

See notes to financial statements.

| Tax Increment Financing | Rescue | Debt Service | Permanent | | | Nonmajor | Total |
|-------------------------------|----------|-----------------|---------------------|-------------------|---|----------|-----------|
| | | | Capital Projects | Cemetery Trust | | | |
| - | - | 33,563 | - | - | - | 46,257 | 231,098 |
| 91,804 | - | - | - | - | - | - | 91,804 |
| - | - | - | - | - | - | - | 100,280 |
| - | - | - | - | - | - | - | 12,448 |
| - | 105 | - | 259 | 379 | - | 599 | 26,596 |
| - | - | - | - | - | - | 13,396 | 122,226 |
| - | 61,013 | - | - | - | - | - | 61,013 |
| - | 500 | - | 1,250 | - | - | 17,071 | 105,066 |
| 91,804 | 61,618 | 33,563 | 1,509 | 379 | - | 77,323 | 750,531 |
| - | 28,294 | - | - | - | - | 10,422 | 176,534 |
| - | - | - | - | - | - | 12,047 | 98,862 |
| - | - | - | 44,034 | - | - | 21,084 | 169,129 |
| - | - | - | - | - | - | - | 12,402 |
| - | - | - | - | - | - | 3,334 | 68,530 |
| - | - | 198,760 | - | - | - | - | 198,760 |
| - | 28,294 | 198,760 | 44,034 | - | - | 46,887 | 724,217 |
| 91,804 | 33,324 | (165,197) | (42,525) | 379 | - | 30,436 | 26,314 |
| - | - | 163,845 | 35,000 | - | - | - | 233,254 |
| (95,495) | (25,000) | - | - | - | - | (4,380) | (164,904) |
| (95,495) | (25,000) | 163,845 | 35,000 | - | - | (4,380) | 68,350 |
| (3,691) | 8,324 | (1,352) | (7,525) | 379 | - | 26,056 | 94,664 |
| 9,642 | 99,901 | 2,104 | 200,499 | 128,878 | - | 118,179 | 823,194 |
| 5,951 | 108,225 | 752 | 192,974 | 129,257 | - | 144,235 | 917,858 |
| - | - | 752 | - | - | - | - | 752 |
| - | - | - | - | - | - | 144,235 | 247,920 |
| 5,951 | 108,225 | - | - | - | - | - | 346,955 |
| - | - | - | 192,974 | - | - | - | 192,974 |
| - | - | - | - | 129,257 | - | - | 129,257 |
| 5,951 | 108,225 | 752 | 192,974 | 129,257 | - | 144,235 | 917,858 |

City of Griswold

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 | Local Option Sales Tax | Community Center |
| Receipts: | | | | |
| Property tax | \$ 142,725 | - | - | - |
| Tax increment financing | - | - | - | - |
| Other city tax | 15,753 | - | 89,270 | - |
| Licenses and permits | 5,787 | - | - | - |
| Use of money and property | 7,320 | - | - | 14,829 |
| Intergovernmental | 18,363 | 86,206 | - | - |
| Charges for service | - | - | - | - |
| Miscellaneous | 56,911 | - | - | - |
| Total receipts | 246,859 | 86,206 | 89,270 | 14,829 |
| Disbursements: | | | | |
| Operating: | | | | |
| Public safety | 106,318 | - | - | - |
| Public works | 20,845 | 93,691 | - | - |
| Culture and recreation | 72,409 | - | - | 28,866 |
| Community and economic development | - | - | 12,488 | - |
| General government | 65,474 | - | - | - |
| Debt service | - | - | - | - |
| Total disbursements | 265,046 | 93,691 | 12,488 | 28,866 |
| Excess (deficiency) of receipts over (under) disbursements | (18,187) | (7,485) | 76,782 | (14,037) |
| Other financing sources (uses): | | | | |
| Operating transfers in | - | - | - | - |
| Operating transfers out | - | - | (29,800) | - |
| Total other financing sources (uses) | - | - | (29,800) | - |
| Net change in cash balances | (18,187) | (7,485) | 46,982 | (14,037) |
| Cash balances beginning of year | 94,586 | 2,095 | 25,785 | 134,252 |
| Cash balances end of year | \$ 76,399 | (5,390) | 72,767 | 120,215 |
| Cash Basis Fund Balances | | | | |
| Reserved for debt service | - | - | - | - |
| Unreserved: | | | | |
| General fund | 76,399 | - | - | - |
| Special revenue funds | - | (5,390) | 72,767 | 120,215 |
| Capital projects fund | - | - | - | - |
| Permanent fund | - | - | - | - |
| Total cash basis fund balances | \$ 76,399 | (5,390) | 72,767 | 120,215 |

See notes to financial statements.

| | Permanent | | | | Total | |
|--|-----------|--------------|------------------|-------------------------|----------|-----------|
| | Rescue | Debt Service | Capital Projects | Cemetery Trust Nonmajor | | |
| | - | 51,272 | - | - | 34,662 | 228,659 |
| | - | - | - | - | 79,647 | 79,647 |
| | - | - | - | - | - | 105,023 |
| | - | - | - | - | - | 5,787 |
| | 468 | - | 2,314 | 1,700 | 878 | 27,509 |
| | - | - | - | - | 1,660 | 106,229 |
| | 67,907 | - | - | - | - | 67,907 |
| | 4,633 | - | 20,000 | - | 22,856 | 104,400 |
| | 73,008 | 51,272 | 22,314 | 1,700 | 139,703 | 725,161 |
| | 32,467 | - | 19,800 | - | 11,119 | 169,704 |
| | - | - | - | - | 4,286 | 118,822 |
| | - | - | 12,382 | - | 16,839 | 130,496 |
| | - | - | - | - | - | 12,488 |
| | - | - | - | - | 6,207 | 71,681 |
| | - | 230,262 | - | - | - | 230,262 |
| | 32,467 | 230,262 | 32,182 | - | 38,451 | 733,453 |
| | 40,541 | (178,990) | (9,868) | 1,700 | 101,252 | (8,292) |
| | - | 179,278 | 19,800 | - | - | 199,078 |
| | - | - | - | - | (72,513) | (102,313) |
| | - | 179,278 | 19,800 | - | (72,513) | 96,765 |
| | 40,541 | 288 | 9,932 | 1,700 | 28,739 | 88,473 |
| | 59,360 | 1,816 | 190,567 | 127,178 | 99,082 | 734,721 |
| | 99,901 | 2,104 | 200,499 | 128,878 | 127,821 | 823,194 |
| | - | 2,104 | - | - | - | 2,104 |
| | - | - | - | - | - | - |
| | - | - | - | - | - | 76,399 |
| | 99,901 | - | - | - | 127,821 | 415,314 |
| | - | - | 200,499 | - | - | 200,499 |
| | - | - | - | 128,878 | - | 128,878 |
| | 99,901 | 2,104 | 200,499 | 128,878 | 127,821 | 823,194 |

Exhibit C

City of Griswold

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

As of and for the year ended June 30, 2010

| | Enterprise | | |
|--|------------|----------|----------|
| | Water | Sewer | Total |
| Operating receipts: | | | |
| Charges for service | \$ 213,549 | 185,278 | 398,827 |
| Operating disbursements: | | | |
| Business type activities | 141,800 | 100,026 | 241,826 |
| Excess of operating receipts over operating disbursements | 71,749 | 85,252 | 157,001 |
| Non-operating receipts: | | | |
| Interest on investments | 2,497 | 482 | 2,979 |
| Miscellaneous | 5,079 | - | 5,079 |
| Total non-operating receipts | 7,576 | 482 | 8,058 |
| Excess of receipts over disbursements | 79,325 | 85,734 | 165,059 |
| Operating transfers out | - | (68,350) | (68,350) |
| Net change in cash balances | 79,325 | 17,384 | 96,709 |
| Cash balances beginning of year | 367,559 | 51,894 | 419,453 |
| Cash balances end of year | \$ 446,884 | 69,278 | 516,162 |
| Cash Basis Fund Balances | | | |
| Reserved for debt service | \$ - | 4,544 | 4,544 |
| Unreserved | 446,884 | 64,734 | 511,618 |
| Total cash basis fund balances | \$ 446,884 | 69,278 | 516,162 |

See notes to financial statements.

City of Griswold

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

As of and for the year ended June 30, 2009

| | Enterprise | | |
|---|------------|----------|----------|
| | Water | Sewer | Total |
| Operating receipts: | | | |
| Charges for service | \$ 221,838 | 152,409 | 374,247 |
| Operating disbursements: | | | |
| Business type activities | 111,095 | 89,405 | 200,500 |
| Excess of operating receipts over operating disbursements | 110,743 | 63,004 | 173,747 |
| Non-operating receipts: | | | |
| Interest on investments | 5,207 | 1,012 | 6,219 |
| Miscellaneous | 83 | 10,736 | 10,819 |
| Total non-operating receipts | 5,290 | 11,748 | 17,038 |
| Excess of receipts over disbursements | 116,033 | 74,752 | 190,785 |
| Operating transfers out | (26,045) | (70,720) | (96,765) |
| Net change in cash balances | 89,988 | 4,032 | 94,020 |
| Cash balances beginning of year | 277,571 | 47,862 | 325,433 |
| Cash balances end of year | \$ 367,559 | 51,894 | 419,453 |
| Cash Basis Fund Balances | | | |
| Reserved for debt service | \$ - | 4,578 | 4,578 |
| Unreserved | 367,559 | 47,316 | 414,875 |
| Total cash basis fund balances | \$ 367,559 | 51,894 | 419,453 |

See notes to financial statements.

City of Griswold

Notes to Financial Statements

June 30, 2010 and 2009

(1) Summary of Significant Accounting Policies

The City of Griswold is a political subdivision of the State of Iowa located in Cass County. It was first incorporated in 1879 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Griswold has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Griswold (the primary government) and its blended component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

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

Jointly Governed Organizations

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

Environmental Control Agency, Cass County Emergency Management Commission, Cass County Public Safety Commission and Cass County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement – The 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 the following categories:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City’s Permanent Fund.

Expendable 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 categories. 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 (for both years unless otherwise noted):

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 Local Option Sales Tax Fund is used to account for certain local option sales tax collections. The collections in this fund are used for tax relief, capital improvements, community betterment and community protection.

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

The Tax Increment Financing Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness. Due to increases in revenues, this fund became a major governmental fund for the fiscal year ended June 30, 2010.

The Rescue Fund is used to account for the operations of the Griswold Rescue Squad.

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 utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through the Enterprise Funds.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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, 2010, disbursements exceeded the amounts budgeted in the public safety and culture and recreations functions. During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the public safety, culture and recreation and community and economic development functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2010 and 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.

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$596,099 at June 30, 2010 and \$556,465 at June 30, 2009 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget yet or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and notes and revenue bonds at June 30, 2010 are as follows:

| Year Ending June 30, | General Obligation Bonds | | General Obligation Notes | | Revenue Bonds | | Total | |
|----------------------------|-----------------------------|-----------|-----------------------------|----------|---------------|----------|-----------|----------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| | 2011 | \$ 10,000 | 3,480 | 110,000 | 19,220 | 37,000 | 17,522 | 157,000 |
| 2012 | 10,000 | 3,035 | 80,000 | 14,680 | 39,000 | 16,072 | 129,000 | 33,787 |
| 2013 | 10,000 | 2,585 | 85,000 | 11,400 | 40,000 | 14,544 | 135,000 | 28,529 |
| 2014 | 15,000 | 2,130 | 90,000 | 7,830 | 42,000 | 12,976 | 147,000 | 22,936 |
| 2015 | 15,000 | 1,432 | 90,000 | 3,960 | 44,000 | 11,328 | 149,000 | 16,720 |
| 2016-2020 | 15,000 | 720 | - | - | 245,000 | 29,596 | 260,000 | 30,316 |
| Total | \$ 75,000 | 13,382 | 455,000 | 57,090 | 447,000 | 102,038 | 977,000 | 172,510 |

Annual debt service requirements to maturity for general obligation bonds and notes and revenue bonds at June 30, 2009 are as follows:

| Year Ending June 30, | General Obligation Bonds | | General Obligation Notes | | Revenue Bonds | | Total | |
|----------------------------|-----------------------------|----------|-----------------------------|----------|---------------|----------|-----------|----------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2010 | \$ 10,000 | 3,920 | 105,000 | 23,465 | \$ 36,000 | 18,936 | 151,000 | 46,321 |
| 2011 | 10,000 | 3,480 | 110,000 | 19,220 | 37,000 | 17,522 | 157,000 | 40,222 |
| 2012 | 10,000 | 3,035 | 80,000 | 14,680 | 39,000 | 16,072 | 129,000 | 33,787 |
| 2013 | 10,000 | 2,585 | 85,000 | 11,400 | 40,000 | 14,544 | 135,000 | 28,529 |
| 2014 | 15,000 | 2,130 | 90,000 | 7,830 | 42,000 | 12,976 | 147,000 | 22,936 |
| 2015-2020 | 30,000 | 2,152 | 90,000 | 3,960 | 289,000 | 40,924 | 409,000 | 47,036 |
| Total | \$ 85,000 | 17,302 | 560,000 | 80,555 | 483,000 | 120,974 | 1,128,000 | 218,831 |

Sewer Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$750,000 of sewer revenue bonds issued in June 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 2020.

For the year ended June 30, 2010, principal and interest paid and total customer net receipts were \$54,936 and \$85,252, respectively. Annual principal and interest payments on the notes are expected to require less than 65 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$549,038.

For the year ended June 30, 2009, principal and interest paid and total net receipts were \$55,306 and \$63,004, respectively. Annual principal and interest payments on the bonds are expected to require less than 88 percent of net receipts and the total principal and interest remaining to be paid on the bonds was \$603,974.

The resolution providing for the issuance of the revenue bonds includes the following provisions.

- (a) The City shall establish, impose, adjust and provide for the collection of rates to be charged to customers of the Utility, including the City, to produce gross revenues at least sufficient to pay the expenses of operation and maintenance of the Utility and to leave a balance of net operating revenues at least sufficient pay the principal and interest on the bonds as they come due.
- (b) The bonds will only be redeemed from the future earnings of the municipal sanitary sewer system of the City and the bond holders hold a lien on the future earnings of the funds.
- (c) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account on the first day of each month for the purpose of making the bond principal and interest payments when due.
- (d) The rents, rates and other charges will be at least sufficient to meet the operation and maintenance expenses of the sewer system and to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue bonds.

The City did not comply with the resolutions. City departments do not pay for sewer usage as required. During fiscal year 2010, no transfers were made to a separate sewer revenue bond sinking account. During fiscal year 2009, the transfers were not timely and one transfer was not made to the sewer revenue bond sinking account.

(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.

During the year ended June 30, 2010, most regular plan members are required to contribute 4.30% of their annual covered salary and the City was required to contribute 6.65% of covered salary. During the year ended June 30, 2009, most regular plan members were required to contribute 4.10% of their annual covered salary and the City was 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, 2010, 2009 and 2008 were \$9,342, \$8,358 and \$8,669, 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, 2010 and 2009, primarily relating to the General Fund, is as follows:

| Type of Benefit | June 30, 2010 | June 30, 2009 |
|-------------------|------------------|---------------|
| Vacation | \$ 6,800 | \$ 4,800 |
| Compensatory time | <u>3,700</u> | <u>-</u> |
| Total | <u>\$ 10,500</u> | <u>4,800</u> |

This liability has been computed based on rates of pay in effect at June 30, 2010 and June 30, 2009, respectively. The City did not maintain support for the compensatory time payable to employees at June 30, 2009.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|--------------------|-------------------------|-------------------|
| General | Special Revenue: | |
| | Local Option Sales Tax | \$ 26,029 |
| | Emergency | 4,380 |
| | | <u>30,409</u> |
| Special Revenue: | General | 4,000 |
| Community Center | | |
| Debt service | Special Revenue: | |
| | Tax Increment Financing | 95,495 |
| | Enterprise: | |
| | Sewer | 68,350 |
| | | <u>163,845</u> |
| Capital Projects | Special Revenue: | |
| | Local Option Sales Tax | 10,000 |
| | Rescue | 25,000 |
| | | <u>35,000</u> |
| Total | | <u>\$ 233,254</u> |

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

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|--------------------|-------------------------|-------------------|
| Debt Service | Special Revenue: | |
| | Local Option Sales Tax | \$ 10,000 |
| | Tax Increment Financing | 72,513 |
| | Enterprise: | |
| | Water | 70,720 |
| | Sewer | 26,045 |
| | | <u>179,278</u> |
| Capital Projects | Special Revenue: | |
| | Local Option Sales Tax | 19,800 |
| Total | | <u>\$ 199,078</u> |

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

(7) Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

(8) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Deficit Balances

At June 30, 2009, the Special Revenue, Road Use Tax Fund had a deficit balance of \$5,390. The deficit balance resulted from project costs incurred prior to availability of funds. The deficit was eliminated upon receipt of road use tax receipts from the state.

(10) Commitments

Law Enforcement Contract

The County provides law enforcement services within the City through a contract with the Office of the Sheriff of Cass County, Iowa through June 30, 2012 for an annual amount of \$55,000.

Professional Services Contract

The City has contracted with MSA Professional Services, Inc. to design the Collection System Repairs and Upgrade project for \$164,100. The City has requested a Planning and Design loan through the State Revolving Fund to finance this contract. As of June 30, 2010, the City is making progress toward executing the loan agreement.

(11) Subsequent Event

The City has been awarded a Community Development Block Grant Housing Fund grant of \$388,000 for the rehabilitation of 10 single-family owner-occupied units. The City entered into a Community Development Block Grant General Administration Contract with SWIPCO and adopted an Administrative Plan and Grant policies. The City expects to receive the \$388,000 grant early in fiscal year 2011.

(12) Special Investigation

The City requested the Office of Auditor of State perform a special investigation of the City as a result of concerns regarding certain payments to the former City Clerk, Dawn Ridlen. The special investigation was performed for the period July 1, 2005 through February 28, 2009 and identified \$2,550.29 of improper disbursements.

City of Griswold

Required Supplementary Information

City of Griswold
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2010

| | Governmental Funds Actual | Proprietary Funds Actual | Less Funds not Required to be Budgeted | Total |
|--|---------------------------------|--------------------------------|---|------------------|
| Receipts: | | | | |
| Property tax | 231,098 | - | - | 231,098 |
| Tax increment financing | 91,804 | - | - | 91,804 |
| Other city tax | 100,280 | - | - | 100,280 |
| Licenses and permits | 12,448 | - | - | 12,448 |
| Use of money and property | 26,596 | 2,979 | 589 | 28,986 |
| Intergovernmental | 122,226 | - | - | 122,226 |
| Charges for service | 61,013 | 398,827 | - | 459,840 |
| Miscellaneous | 105,066 | 5,079 | 13,096 | 97,049 |
| Total receipts | <u>750,531</u> | <u>406,885</u> | <u>13,685</u> | <u>1,143,731</u> |
| Disbursements: | | | | |
| Public safety | 176,534 | - | 10,422 | 166,112 |
| Public works | 98,862 | - | - | 98,862 |
| Culture and recreation | 169,129 | - | - | 169,129 |
| Community and economic development | 12,402 | - | - | 12,402 |
| General government | 68,530 | - | - | 68,530 |
| Debt service | 198,760 | - | - | 198,760 |
| Business type activities | - | 241,826 | - | 241,826 |
| Total disbursements | <u>724,217</u> | <u>241,826</u> | <u>10,422</u> | <u>955,621</u> |
| Excess of receipts over disbursements | 26,314 | 165,059 | 3,263 | 188,110 |
| Other financing sources (uses), net | 68,350 | (68,350) | - | - |
| Excess of receipts and other financing sources over disbursements and other financing uses | 94,664 | 96,709 | 3,263 | 188,110 |
| Balances beginning of year | <u>823,194</u> | <u>419,453</u> | <u>68,199</u> | <u>1,174,448</u> |
| Balances end of year | <u>\$ 917,858</u> | <u>516,162</u> | <u>71,462</u> | <u>1,362,558</u> |

See accompanying independent auditor's report.

| Budgeted Amounts | | Final to |
|------------------|-----------|----------|
| Original | Final | Total |
| | | Variance |
| 222,413 | 222,413 | 8,685 |
| 83,352 | 83,352 | 8,452 |
| 99,550 | 119,550 | (19,270) |
| 3,750 | 3,750 | 8,698 |
| 30,248 | 30,248 | (1,262) |
| 107,300 | 113,383 | 8,843 |
| 477,600 | 477,600 | (17,760) |
| 10,000 | 20,875 | 76,174 |
| 1,034,213 | 1,071,171 | 72,560 |
| 138,920 | 149,920 | (16,192) |
| 99,217 | 113,776 | 14,914 |
| 126,237 | 123,300 | (45,829) |
| 10,000 | 13,000 | 598 |
| 75,950 | 83,760 | 15,230 |
| 198,919 | 198,919 | 159 |
| 245,217 | 273,661 | 31,835 |
| 894,460 | 956,336 | 715 |
| 139,753 | 114,835 | 73,275 |
| - | - | - |
| 139,753 | 114,835 | 73,275 |
| 1,097,149 | 1,097,149 | 77,299 |
| 1,236,902 | 1,211,984 | 150,574 |

City of Griswold
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2009

| | Governmental Funds Actual | Proprietary Funds Actual | Less Funds not Required to be Budgeted | Total |
|---|---------------------------------|--------------------------------|---|------------------|
| Receipts: | | | | |
| Property tax | \$ 228,659 | - | - | 228,659 |
| Tax increment financing | 79,647 | - | - | 79,647 |
| Other city tax | 105,023 | - | - | 105,023 |
| Licenses and permits | 5,787 | - | - | 5,787 |
| Use of money and property | 27,509 | 6,219 | 866 | 32,862 |
| Intergovernmental | 106,229 | 6,062 | - | 112,291 |
| Charges for service | 67,907 | 374,097 | - | 442,004 |
| Miscellaneous | 104,400 | 4,907 | 19,611 | 89,696 |
| Total receipts | <u>725,161</u> | <u>391,285</u> | <u>20,477</u> | <u>1,095,969</u> |
| Disbursements: | | | | |
| Public safety | 169,704 | - | 11,119 | 158,585 |
| Public works | 118,822 | - | - | 118,822 |
| Culture and recreation | 130,496 | - | - | 130,496 |
| Community and economic development | 12,488 | - | - | 12,488 |
| General government | 71,681 | - | - | 71,681 |
| Debt service | 230,262 | - | - | 230,262 |
| Capital projects | - | - | - | - |
| Business type activities | - | 200,500 | - | 200,500 |
| Total disbursements | <u>733,453</u> | <u>200,500</u> | <u>11,119</u> | <u>922,834</u> |
| Excess (deficiency) of receipts over (under) disbursements | (8,292) | 190,785 | 9,358 | 173,135 |
| Other financing sources (uses), net | 96,765 | (96,765) | - | - |
| Excess of receipts and other financing sources over disbursements and other financing uses | 88,473 | 94,020 | 9,358 | 173,135 |
| Balances beginning of year | 734,721 | 325,433 | 58,841 | 1,001,313 |
| Balances end of year | <u>\$ 823,194</u> | <u>419,453</u> | <u>68,199</u> | <u>1,174,448</u> |

See accompanying independent auditor's report.

| Budgeted Amounts | | Final to |
|------------------|------------------|----------------|
| Original | Final | Total |
| | | Variance |
| 218,229 | 218,229 | 10,430 |
| 83,352 | 83,352 | (3,705) |
| 106,579 | 106,579 | (1,556) |
| 3,370 | 3,370 | 2,417 |
| 35,848 | 35,848 | (2,986) |
| 103,400 | 103,400 | 8,891 |
| 457,600 | 457,600 | (15,596) |
| 15,550 | 15,550 | 74,146 |
| <u>1,023,928</u> | <u>1,023,928</u> | <u>72,041</u> |
| 126,160 | 150,760 | (7,825) |
| 98,182 | 122,532 | 3,710 |
| 111,065 | 113,565 | (16,931) |
| 5,000 | 11,800 | (688) |
| 72,863 | 79,863 | 8,182 |
| 230,663 | 230,663 | 401 |
| - | 13,000 | 13,000 |
| <u>231,874</u> | <u>261,874</u> | <u>61,374</u> |
| <u>875,807</u> | <u>984,057</u> | <u>61,223</u> |
| 148,121 | 39,871 | 133,264 |
| - | - | - |
| 148,121 | 39,871 | 133,264 |
| <u>813,371</u> | <u>813,371</u> | <u>187,942</u> |
| <u>961,492</u> | <u>853,242</u> | <u>321,206</u> |

City of Griswold

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010 and 2009

The budgetary comparisons are 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 except its component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During fiscal year 2010, one budget amendment increased budgeted disbursements by \$61,876. During fiscal year 2009, one budget amendment increased budgeted disbursements by \$108,250. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public safety and culture and recreation functions. During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the public safety, culture and recreation and community and economic development functions.

Other Supplementary Information

City of Griswold

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

As of and for the year ended June 30, 2010

| | | Special | |
|--|--------------|-------------------|--------------|
| | | Employee Benefits | |
| | I-Jobs | Levy | Emergency |
| Receipts: | | | |
| Property tax | \$ - | 41,720 | 4,537 |
| Use of money and property | - | - | - |
| Intergovernmental | 4,538 | - | - |
| Miscellaneous | - | - | - |
| Total receipts | <u>4,538</u> | <u>41,720</u> | <u>4,537</u> |
| Disbursements: | | | |
| Operating | | | |
| Public safety | - | - | - |
| Public works | 4,538 | 7,509 | - |
| Culture and recreation | - | 14,255 | - |
| General government | - | 3,334 | - |
| Total disbursements | <u>4,538</u> | <u>25,098</u> | <u>-</u> |
| Excess (deficiency) of receipts over (under) disbursements | - | 16,622 | 4,537 |
| Other financing uses: | | | |
| Operating transfers out | - | - | (4,380) |
| Net change in cash balances | - | 16,622 | 157 |
| Cash balances beginning of year | - | 29,305 | 4,400 |
| Cash balances end of year | <u>\$ -</u> | <u>45,927</u> | <u>4,557</u> |
| Cash Basis Fund Balances | | | |
| Unreserved: | | | |
| Special revenue funds | <u>\$ -</u> | <u>45,927</u> | <u>4,557</u> |

See accompanying independent auditor's report.

| Revenue | | | | | | | |
|---------------|--------------------|-----------------|-----------------|-----------------------|--------------|---------|--|
| Little League | Playground Project | Seized Property | Safety Programs | Griswold Rescue Squad | Library Gift | Total | |
| - | - | - | - | - | - | 46,257 | |
| - | - | - | - | 589 | 10 | 599 | |
| 7,000 | - | - | - | - | 1,858 | 13,396 | |
| - | - | - | - | 13,096 | 3,975 | 17,071 | |
| 7,000 | - | - | - | 13,685 | 5,843 | 77,323 | |
| - | - | - | - | 10,422 | - | 10,422 | |
| - | - | - | - | - | - | 12,047 | |
| - | - | - | - | - | 6,829 | 21,084 | |
| - | - | - | - | - | - | 3,334 | |
| - | - | - | - | 10,422 | 6,829 | 46,887 | |
| - | - | - | - | - | - | - | |
| 7,000 | - | - | - | 3,263 | (986) | 30,436 | |
| - | - | - | - | - | - | (4,380) | |
| 7,000 | - | - | - | 3,263 | (986) | 26,056 | |
| - | 410 | 1,325 | 98 | 68,199 | 14,442 | 118,179 | |
| 7,000 | 410 | 1,325 | 98 | 71,462 | 13,456 | 144,235 | |
| 7,000 | 410 | 1,325 | 98 | 71,462 | 13,456 | 144,235 | |

City of Griswold

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

As of and for the year ended June 30, 2009

| | I-Jobs | Employee Benefits Levy | Emergency | Special Tax Increment Financing |
|--|--------|------------------------------|-----------|--|
| Receipts: | | | | |
| Property tax | \$ - | 30,274 | 4,388 | - |
| Tax increment financing | - | - | - | 79,647 |
| Use of money and property | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Miscellaneous | - | - | - | - |
| Total receipts | - | 30,274 | 4,388 | 79,647 |
| Disbursements: | | | | |
| Operating | | | | |
| Public safety | - | - | - | - |
| Public works | - | 4,286 | - | - |
| Culture and recreation | - | 13,361 | - | - |
| General government | - | 6,207 | - | - |
| Total disbursements | - | 23,854 | - | - |
| Excess (deficiency) of receipts over (under) disbursements | - | 6,420 | 4,388 | 79,647 |
| Other financing uses: | | | | |
| Operating transfers out | - | - | - | (72,513) |
| Net change in cash balances | - | 6,420 | 4,388 | 7,134 |
| Cash balances beginning of year | - | 22,885 | 12 | 2,508 |
| Cash balances end of year | \$ - | 29,305 | 4,400 | 9,642 |
| Cash Basis Fund Balances | | | | |
| Unreserved: | | | | |
| Special revenue funds | \$ - | 29,305 | 4,400 | 9,642 |

See accompanying independent auditor's report.

| Revenue | | | | | |
|--------------------|-----------------|-----------------|-----------------------|--------------|----------|
| Playground Project | Seized Property | Safety Programs | Griswold Rescue Squad | Library Gift | Total |
| - | - | - | - | - | 34,662 |
| - | - | - | - | - | 79,647 |
| - | - | - | 866 | 12 | 878 |
| - | - | - | - | 1,660 | 1,660 |
| - | - | - | 19,611 | 3,245 | 22,856 |
| - | - | - | 20,477 | 4,917 | 139,703 |
| - | - | - | 11,119 | - | 11,119 |
| - | - | - | - | - | 4,286 |
| 553 | - | - | - | 2,925 | 16,839 |
| - | - | - | - | - | 6,207 |
| 553 | - | - | 11,119 | 2,925 | 38,451 |
| (553) | - | - | 9,358 | 1,992 | 101,252 |
| - | - | - | - | - | (72,513) |
| (553) | - | - | 9,358 | 1,992 | 28,739 |
| 963 | 1,325 | 98 | 58,841 | 12,450 | 99,082 |
| 410 | 1,325 | 98 | 68,199 | 14,442 | 127,821 |
| 410 | 1,325 | 98 | 68,199 | 14,442 | 127,821 |

City of Griswold
 Schedule of Indebtedness
 Year ended June 30, 2010

| Obligation | Date of Issue | Interest Rates | Amount Originally Issued |
|---------------------------|---------------|----------------|--------------------------|
| General obligation bonds: | | | |
| Sewer improvement | Jul 15, 2006 | 4.40 - 4.80% | \$ 115,000 |
| General obligation notes: | | | |
| Street improvement | Jun 1, 2001 | 4.08 - 5.00% | \$ 250,000 |
| Street improvement | Apr 15, 2005 | 3.70 - 4.40 | 780,000 |
| Total | | | |
| Revenue bonds: | | | |
| Sewer | Jun 1, 2000 | 3.92% | \$ 750,000 |

See accompanying independent auditor's report.

| Balance Beginning of Year | Redeemed During Year | Balance End of Year | Interest Paid |
|---------------------------------|----------------------------|---------------------------|------------------|
| \$ 85,000 | 10,000 | 75,000 | 3,920 |
| 60,000 | 30,000 | 30,000 | 2,970 |
| 500,000 | 75,000 | 425,000 | 20,495 |
| \$ 560,000 | 105,000 | 455,000 | 23,465 |
| \$ 483,000 | 36,000 | 447,000 | 18,934 |

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

| Obligation | Date of Issue | Interest Rates | Amount Originally Issued |
|---------------------------|---------------|----------------|--------------------------|
| General obligation bonds: | | | |
| Fire truck | Feb 1, 1999 | 4.70% | \$ 195,000 |
| Sewer improvement | Jul 15, 2006 | 4.40 - 4.80 | 115,000 |
| Total | | | |
| General obligation notes: | | | |
| Street improvement | Jun 1, 2001 | 4.08 - 5.00% | \$ 250,000 |
| Street improvement | Apr 15, 2005 | 3.70 - 4.40 | 780,000 |
| Total | | | |
| Revenue bonds: | | | |
| Sewer | Jun 1, 2000 | 3.92% | \$ 750,000 |

See accompanying independent auditor's report.

| Balance Beginning of Year | Redeemed During Year | Balance End of Year | Interest Paid |
|---------------------------------|----------------------------|---------------------------|------------------|
| 25,000 | 25,000 | - | 1,175 |
| 95,000 | 10,000 | 85,000 | 4,355 |
| <u>\$ 120,000</u> | <u>35,000</u> | <u>85,000</u> | <u>5,530</u> |
| 90,000 | 30,000 | 60,000 | 4,410 |
| 575,000 | 75,000 | 500,000 | 23,158 |
| <u>\$ 665,000</u> | <u>105,000</u> | <u>560,000</u> | <u>27,568</u> |
| <u>\$ 518,000</u> | <u>35,000</u> | <u>483,000</u> | <u>20,306</u> |

City of Griswold
 Bond and Note Maturities
 June 30, 2010

| Year Ending June 30, | General Obligation Bonds | | General Obligation Notes | | | | Total |
|----------------------------|---------------------------|------------------|----------------------------|------------------|----------------------------|------------------|----------------|
| | Sewer Improvement Bond | | Street Improvement Note | | Street Improvement Note | | |
| | Issued July 15, 2006 | | Issued April 15, 2001 | | Issued June 1, 2005 | | |
| | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount | |
| 2011 | 4.40% | 10,000 | 5.00% | 30,000 | 3.80% | 80,000 | 110,000 |
| 2012 | 4.50 | 10,000 | - | - | 4.10 | 80,000 | 80,000 |
| 2013 | 4.55 | 10,000 | - | - | 4.20 | 85,000 | 85,000 |
| 2014 | 4.65 | 15,000 | - | - | 4.30 | 90,000 | 90,000 |
| 2015 | 4.75 | 15,000 | - | - | 4.40 | 90,000 | 90,000 |
| 2016 | 4.80 | 15,000 | - | - | - | - | - |
| Total | | <u>\$ 75,000</u> | | <u>\$ 30,000</u> | | <u>\$425,000</u> | <u>455,000</u> |

| Year Ending June 30, | Revenue Bonds | |
|----------------------------|---------------------|-------------------|
| | Sewer | |
| | Issued June 1, 2000 | |
| Interest Rates | Amount | |
| 2011 | 3.92% | 37,000 |
| 2012 | 3.92 | 39,000 |
| 2013 | 3.92 | 40,000 |
| 2014 | 3.92 | 42,000 |
| 2015 | 3.92 | 44,000 |
| 2016 | 3.92 | 45,000 |
| 2017 | 3.92 | 47,000 |
| 2018 | 3.92 | 49,000 |
| 2019 | 3.92 | 51,000 |
| 2020 | 3.92 | 53,000 |
| Total | | <u>\$ 447,000</u> |

See accompanying independent auditor's report.

| Year Ending June 30, | General Obligation Bonds | | General Obligation Notes | | | | |
|----------------------------|---------------------------|------------------|----------------------------|------------------|----------------------------|------------------|----------------|
| | Sewer Improvement Bond | | Street Improvement Note | | Street Improvement Note | | Total |
| | Issued July 15, 2006 | | Issued April 15, 2001 | | Issued June 1, 2005 | | |
| | Interest | | Interest | | Interest | | |
| Rates | Amount | Rates | Amount | Rates | Amount | | |
| 2010 | 4.40% | \$ 10,000 | 4.90% | \$ 30,000 | 3.70% | \$ 75,000 | 105,000 |
| 2011 | 4.40 | 10,000 | 5.00 | 30,000 | 3.80 | 80,000 | 110,000 |
| 2012 | 4.50 | 10,000 | - | - | 4.10 | 80,000 | 80,000 |
| 2013 | 4.55 | 10,000 | - | - | 4.20 | 85,000 | 85,000 |
| 2014 | 4.65 | 15,000 | - | - | 4.30 | 90,000 | 90,000 |
| 2015 | 4.75 | 15,000 | - | - | 4.40 | 90,000 | 90,000 |
| 2016 | 4.80 | 15,000 | - | - | - | - | - |
| Total | | <u>\$ 85,000</u> | | <u>\$ 60,000</u> | | <u>\$500,000</u> | <u>560,000</u> |

| Year Ending June 30, | Revenue Bonds | |
|----------------------------|---------------------|-------------------|
| | Sewer | |
| | Issued June 1, 2000 | |
| Interest | | Amount |
| Rates | | |
| 2010 | 3.92% | |
| 2011 | 3.92 | 37,000 |
| 2012 | 3.92 | 39,000 |
| 2013 | 3.92 | 40,000 |
| 2014 | 3.92 | 42,000 |
| 2015 | 3.92 | 44,000 |
| 2016 | 3.92 | 45,000 |
| 2017 | 3.92 | 47,000 |
| 2018 | 3.92 | 49,000 |
| 2019 | 3.92 | 51,000 |
| 2020 | 3.92 | 53,000 |
| Total | | <u>\$ 483,000</u> |

Schedule 4

City of Griswold

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

For the Last Three Years

| | June 30, | | |
|------------------------------------|------------|---------|---------|
| | 2010 | 2009 | 2008 |
| Receipts: | | | |
| Property tax | \$ 231,098 | 228,659 | 215,375 |
| Tax increment financing | 91,804 | 79,647 | 36,647 |
| Other city tax | 100,280 | 105,023 | 97,254 |
| Licenses and permits | 12,448 | 5,787 | 1,148 |
| Use of money and property | 26,596 | 27,509 | 36,909 |
| Intergovernmental | 122,226 | 106,229 | 120,199 |
| Charges for service | 61,013 | 67,907 | 89,556 |
| Miscellaneous | 105,066 | 104,400 | 64,000 |
| Total | \$ 750,531 | 725,161 | 661,088 |
| Disbursements: | | | |
| Operating: | | | |
| Public safety | \$ 176,534 | 169,704 | 130,255 |
| Public works | 98,862 | 118,822 | 105,693 |
| Culture and recreation | 169,129 | 130,496 | 94,089 |
| Community and economic development | 12,402 | 12,488 | 28,913 |
| General government | 68,530 | 71,681 | 59,111 |
| Debt service | 198,760 | 230,262 | 243,225 |
| Total | \$ 724,217 | 733,453 | 661,286 |

See accompanying independent auditor's report.

City of Griswold

**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**



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Griswold, Iowa, as of and for the years ended June 30, 2010 and 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated October 8, 2010. 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 audits, we considered the City of Griswold's 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 Griswold's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Griswold's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Griswold's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A), (B) and (D) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (C) and (E) through (N) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Griswold's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the years ended June 30, 2010 and 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audits were based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

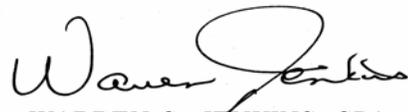
The City of Griswold's responses to findings identified in our audits are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Griswold's responses and, accordingly, we express no opinion on them.

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 Griswold and other parties to whom the City of Griswold may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 8, 2010

City of Griswold

Schedule of Findings

Years ended June 30, 2010 and 2009

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. One person had control over each of the following areas for the City:

- (1) Receipts – opening mail, collecting, depositing, reconciling and posting.
- (2) Disbursements – invoice processing, check writing, mailing, reconciling and recording.
- (3) Payroll – recordkeeping, preparation and distribution.
- (4) Utilities – billing, collecting, depositing and posting.
- (5) Investing – recordkeeping, investing, custody of investments and reconciling earnings.
- (6) Cash – handling, reconciling and recording.
- (7) Debt – recordkeeping, compliance and debt payment processing.
- (8) Information system (computer usage) – performing all general accounting functions and controlling all data and output.

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

Response – The City will review procedures to see if the Mayor or Council Members can perform any of these duties or provide additional oversight through review of reports, reconciliations and transactions for the City accounts.

Conclusion – Response accepted.

(B) Utilities – Utility billings, collections and delinquent accounts were not reconciled during fiscal year 2009. Reconciliation procedures were implemented during fiscal year 2010. However, the procedures did not reconcile collections per the utility system to actual deposits per the financial statements or consider the effect of delinquent accounts.

A month-end and year-end delinquent accounts listing was not prepared and maintained for fiscal year 2009 and fiscal year 2010.

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

City of Griswold

Schedule of Findings

Years ended June 30, 2010 and 2009

Response – The City implemented a reconciliation procedure during the fiscal year ended June 30, 2010 and is working with Data Technologies, Inc. to develop a more thorough reconciliation procedure.

Conclusion – Response accepted.

- (C) Written Accounting Procedures Manual – We encourage the development of an office procedures and standardized accounting manual for the City’s financial accounting system. This written manual should provide the following benefits:
- (1) Aid in training additional or replacement staff.
 - (2) Help achieve uniformity in accounting and in the application of policies and procedures.
 - (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.
 - (4) Ensure City accounts are appropriately utilized.

Recommendation – A written office procedures and standardized accounting manual should be prepared.

Response – The City is in the process of developing this manual.

Conclusion – Response accepted.

- (D) Bank Reconciliations – Although monthly financial reports which include City fund/account activity are prepared, monthly reconciliations of the fund balances to the bank account balances were not prepared during the year ended June 30, 2009 and for eleven months of the year ended June 30, 2010.

Recommendation – Monthly financial reports should be reconciled to the bank balances each month. The financial reports and reconciliations should be provided to City officials for review and approval each month. In addition, financial reports, bank reconciliations and outstanding check lists should be retained in accordance with City policy.

Response – This was implemented during the fiscal year ended June 30, 2010. We will continue working to develop a more thorough reconciliation process.

Conclusion – Response accepted.

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

- Passwords are not periodically changed every 60 to 90 days. The City’s software does not require the user to periodically change log-ins/passwords.

City of Griswold

Schedule of Findings

Years ended June 30, 2010 and 2009

- User log-ins/passwords do not uniquely identify users because they are shared. A computer log is not maintained to document who recorded a transaction.

In addition, the City does not have written policies for:

- Requiring time out/log off or screen saver passwords to protect computer terminals when not in use.
- Requiring use of passwords and requiring password(s) be changed at least every 60 to 90 days.
- Maintaining password privacy and confidentiality.
- Requiring the use of anti-virus programs on the computer.
- Limiting physical access to the computer to authorized personnel.
- Ensuring software not licensed to the City is not installed.
- Usage of the internet.
- Requiring backups be performed (daily, weekly, monthly and yearly) and the backup tapes/files be stored off site daily.
- A disaster recovery plan.

Recommendation – The City should develop written policies addressing the above items to improve the City’s control over computer based financial systems. The City should work with its software provider to implement unique user id and passwords for each employee. Also, a written disaster recovery plan should be developed and tested periodically.

Response – The City is in the process of writing and implementing policies. The City will contact the software company to determine how to implement unique passwords for the receipting system.

Conclusion – Response accepted.

- (F) Untimely Deposits – The Office of Auditor of State released a special report on the City of Griswold on May 20, 2009. The report covered the period July 1, 2005 through February 28, 2009. The special investigation identified \$2,550.29 of improper disbursements. Two reimbursement checks totaling \$2,555.49 were provided to the City in late February and early March 2009. However, these checks were not deposited into the City bank account until August 2009.

Recommendation – The City should make timely deposits.

Response – The City will ensure all payments received at City Hall are entered into the receipt management system and deposited in a timely manner.

Conclusion – Response accepted.

City of Griswold

Schedule of Findings

Years ended June 30, 2010 and 2009

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

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

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

Response – City will work with the Fire Department, Library and Youth Sports Complex to get this information included in the City’s books. The City will encourage individuals working with the separately maintained funds to involve at least one other individual in the accounting process.

Conclusion – Response accepted.

- (H) Payroll – Although time sheets were maintained and retained for all employees, for 8 of 12 timecards tested, there was no indication the time sheets had been reviewed and approved by the appropriate supervisory personnel prior to the preparation of payroll.

Recommendation – Time sheets should be reviewed and approved by appropriate supervisory personnel prior to preparation of payroll. The approval should be evidenced by initials of the reviewer.

Response – The City will implement practices to ensure each supervisor has initialed each timesheet prior to payroll.

Conclusion – Response accepted.

- (I) Financial Reporting – The Permanent, Cemetery Trust Fund is reported in the City’s general ledger as part of the General Fund.

Recommendation – The City should implement procedures to ensure all activity is properly classified.

Response – The Cemetery Fund has been reclassified as a Permanent Fund.

Conclusion – Response accepted.

City of Griswold

Schedule of Findings

Years ended June 30, 2010 and 2009

(J) Revenue Bonds -- The following instances of non-compliance with the sewer revenue bond requirements were noted:

- The City's sewer revenue bond resolution, 10-2000, Section 6 requires all users of the system, including the City, be charged for usage. City departments are not charged for sewer usage.
- The City's sewer revenue bond resolution Section 9 states payments are to be made into the sinking account in equal monthly installments on the first day of each month. The City made 11 of 12 monthly payments in the year ended June 30, 2009 untimely and no payments into the sinking account were made during the year ended June 30, 2010. The City did pay the required principal and interest payments timely.

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

Response – The City will include sewer charges for all metered city-owned locations in the fiscal year 2012 budget. Transfers to the sinking fund started in August 2010 and will continue.

Conclusion – Response accepted.

(K) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City's Annual Financial Report contain a "summary for the preceding fiscal year of all collections and receipts, all accounts due the City, and all expenditures....". The City's Annual Financial Report did not include the separately maintained Volunteer Fire Department, Library, Sports Complex or Rescue Department activities for the year as required by Chapter 384.22 of the Code of Iowa. The City's Annual Financial Report for the year ended June 30, 2009 reported expenditures and fund balances which do not materially agree with City records.

Recommendation – The beginning balances reported on the City's Annual Financial Report for year ended June 30, 2010 should be amended to correct material errors and the amounts reported should be supported by the City's records.

Response – The City will amend the beginning balances on the 2010 Annual Financial Report as necessary.

Conclusion – Response accepted.

(L) Health Savings Accounts – In lieu of providing a group health insurance policy, the Council approved providing up to \$9,939.32 to reimburse individual employees for health insurance premiums and/or deductibles.

During the year ended June 30, 2009, one employee established a Health Savings Account (HSA) at Rolling Hills Bank and Trust and a second employee established an HSA at First Whitney Bank & Trust. Contributions to an HSA must comply with federal guidelines. We were unable to review the information necessary to determine if the savings accounts established by the employees complied with federal requirements. The second employee was not eligible to establish an HSA because she was covered by more than 1 health insurance plan.

City of Griswold

Schedule of Findings

Years ended June 30, 2010 and 2009

Recommendation – In the future, if the City offers an HSA, the City should take appropriate steps to ensure the HSA has been established in compliance with federal guidelines.

Response – The City does not offer an HSA at this time. If offered in the future, the City will comply with applicable rules and guidelines.

Conclusion – Response accepted.

- (M) Travel Reimbursement Policy – The City has established rates for mileage. However, the City has not established any limits for the reimbursement of meals and lodging. During the year ended June 30, 2009, 5 of 5 claims tested were reimbursed at an incorrect mileage rate and 4 of 5 claims did not include all receipts for the reimbursement of expenses. City policy provides for reimbursement of employees for travel only upon prior approval of the City Council. We were unable to find approval in the City Council minutes for an employee to attend meetings of professional organizations.

Recommendation – The City council should consider developing a reimbursement policy which establishes maximum reimbursement rates for meals and lodging. Receipts should be required before reimbursement. In addition, the City Council should determine and document whether employees should be reimbursed travel costs for attending meetings of professional organizations.

Response – A more comprehensive travel policy will be developed and implemented.

Conclusion – Response accepted.

- (N) Insurance Reimbursements – Prior to January 2009, the City had a group insurance policy for which the City paid employee premiums on a monthly basis for each employee. In lieu of health insurance benefits, resolution 13-2008, passed December 12, 2008 and effective January 2009, amended the City's policy for health insurance. The resolution states, in part:

“All eligible full-time employees are entitled to reimbursement by the City for health insurance, deductible expenses, dental and optical coverage. After proof of payment for any of the expenses mentioned above, the City will reimburse each employee up to \$9,932.32 per fiscal year.”

During the years ended June 30, 2010 and 2009, the City reimbursed five employees or providers on behalf of City employees \$29,427 and \$19,123, respectively.

Because the City had not established an IRC Section 125 cafeteria plan, the reimbursements are taxable to the employees. The City did not include the reimbursements as taxable income to the employees.

Recommendation – The City should review and revise its Employee Handbook (policy) to establish an IRC, Section 125 cafeteria plan to provide or fund health insurance benefits or reimbursements to its employees on a tax free basis, if desired.

The City should contact the IRS, the Iowa Department of Revenue and IPERS to determine corrective action, if any, regarding this taxable income.

City of Griswold

Schedule of Findings

Years ended June 30, 2010 and 2009

Response – The City has adopted a Section 125 cafeteria plan as of July 1, 2010. The City will also contact IPERS, the Iowa Department of Revenue and the IRS to determine the taxability of these benefits.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Griswold

Schedule of Findings

Years ended June 30, 2010 and 2009

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public safety and culture and recreation functions. During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the public safety, culture and recreation and community and economic development functions.

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

Response – The budget will be amended prior to disbursements exceeding the budgeted amount

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in 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:

For the year ended June 30, 2010:

| Name, Title and Business Connection | Description | Amount |
|--|---------------------|--------|
| Kevin Carlyle, Council Member, owner of Town & Country Sanitation | Waste management | \$486 |

For the year ended June 30, 2009:

| Name, Title and Business Connection | Description | Amount |
|---|---------------------|--------|
| Lee Wyman, Council Member | Floor care | \$891 |
| Kevin Carlisle, Council Member, owner of Town & Country Sanitation | Waste management | 400 |

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

- (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 ensure 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.

City of Griswold

Schedule of Findings

Years ended June 30, 2010 and 2009

During the fiscal year ended June 30, 2009, the minutes of one Council meeting were not published.

The City did not publish annual gross salaries as required by an Attorney General's opinion dated April 12, 1978 for the year ended June 30, 2009

Recommendation – The City should comply with Chapter 21 of the Code of Iowa. The City should ensure the minutes, list of claims, summary of receipts, total disbursements by fund and annual individual gross salaries are published as required.

Response – The City will publish the individual annual gross salaries on a calendar year basis. The City will also comply with Chapter 21 of the Code of Iowa.

Conclusion – Response accepted.

- (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) Financial Condition – The Special Revenue, Road Use Tax Fund had a deficit balance at June 30, 2009 of \$5,390, was eliminated by the end of fiscal year 2010.
- (9) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City, Volunteer Fire Department, Library Gift Fund, Sports Complex and the Rescue Department do not properly retain electronic images of cancelled checks.

Recommendation – The City, Volunteer Fire Department, Sports Complex, Library Gift Fund and the Rescue Department should retain an image of both the front and back of each cancelled check as required.

Response – The City will work with its financial institution to ensure both sides of the checks are retained.

Conclusion – Response accepted.

- (10) Urban Renewal Tax Increment Certification – Chapter 403.19 of the Code of Iowa provides a municipality shall certify indebtedness to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of taxes to generate funds to repay the certified indebtedness. Chapter 403.19 of the Code of Iowa does not allow a municipality to set aside taxes divided for tax increment purposes for current or future urban renewal projects. Except for assistance for low and moderate income family housing discussed in Chapter 403.22 of the Code of Iowa, indebtedness incurred is to be certified to the County Auditor and then the divided taxes are to be used to pay the principal of and interest on the certified indebtedness. In addition, Chapter 403.19(5)(b) of the Code of Iowa requires the City to certify the amount of reductions resulting from reduction in debt or for any other reason to the County Auditor.

City of Griswold

Schedule of Findings

Years ended June 30, 2010 and 2009

The City's tax increment financing (TIF) certification required by Chapter 403 of the Code of Iowa and filed December 18, 2006 certified \$530,000 of TIF debt outstanding. This amount is the principal only, whereas the certification should have included the principal and interest outstanding. In addition, the City certification filed December 1, 2008 certified \$385,040 of TIF debt outstanding and the City certification filed December 10, 2009 certified \$561,955. The City recertified previously certified debt in 2008 and 2009 with the Cass County Auditor without issuing new debt. The City did not maintain proper documentation of the TIF debt and related certifications and did not properly account for the outstanding balances. Certifications to the Cass County Auditor were not made by December 1 in 2006 and 2009 as required by Chapter 403.19(5)(a) by the Code of Iowa.

In 2005, the City issued \$780,000 of general obligation street improvement notes, series 2005. Of this amount, \$200,000 was not certified as TIF debt and, therefore, could not be paid from the Special Revenue, Tax Increment Financing Fund (TIF Fund). During the year ended June 30, 2010, the City paid 100% of the debt for the general obligation note from the TIF Fund, resulting in an overpayment from the TIF Fund and an underpayment from the Enterprise, Water Utility Fund of \$25,335. In addition, no interest from investments was recorded in the TIF Fund as required by Chapter 12C.9 of the Code of Iowa.

Recommendation – The City should consult TIF legal counsel to determine the disposition of the City's TIF certifications and the amount of TIF debt to be decertified, if any. In addition, the City should make a corrective transfer from the Enterprise, Water Fund to the TIF Fund. In the future, TIF certifications should be certified to the County Auditor on or before December 1 as required by Chapter 403.19(5)(a) of the Code of Iowa. In addition, the City should allocate interest earned on TIF balances as required by Chapter 12C.9 of the Code of Iowa.

Because of the magnitude of the amount of TIF debt certified in excess of actual debt issued and the City's collection and use of the related TIF funds for disbursements other than TIF indebtedness, a copy of this report has been filed with the Cass County Auditor and Cass County Attorney for their review and determination of further action, if any.

Response – The City will contact the Cass County Auditor to determine the appropriate certification and decertify the appropriate amount prior to December 1, 2010. The City will create a TIF account in the Iowa Public Agency Investment Trust to earn individual interest on the funds.

Conclusion – Response accepted.

- (12) Utility Rates – Utility rates were not approved by ordinance as required by Chapter 384.84 of the Code of Iowa. Rates were established by ordinance for water in 2006 and sewer in 2008 and rate increases were approved for the years ended June 30, 2006 to 2010 based on consumer price index reports.

City of Griswold

Schedule of Findings

Years ended June 30, 2010 and 2009

Recommendation – The City should establish all utility rates by ordinance as required by Chapter 384.84 of the Code of Iowa, including required publications and hearings, as necessary. Also, for full disclosure, the ordinance should document the previous rate, the percentage increase and the new rate, not just the percentage increase.

Response – The City will establish all utility rates by ordinances as required by Chapter 384.84 of the Code of Iowa.

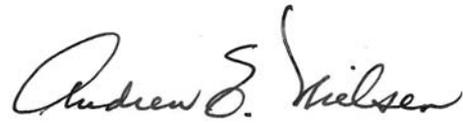
Conclusion – Response accepted.

City of Griswold

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager
Melissa Wellhausen, CPA, Senior Auditor
Dorothy O. Stover, Staff Auditor
Lara Van Wyk, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State