



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

November 9, 2010

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

The City's receipts totaled \$22,101,198 for the year ended June 30, 2010, a 107 percent increase over 2009. The receipts included \$4,585,448 in property tax, \$812,070 in tax increment financing, \$4,020,874 from charges for service, \$625,371 from operating grants, contributions and restricted interest, \$1,990,910 from capital grants, contributions and restricted interest, \$9,932,130 from bond proceeds, \$42,777 from unrestricted interest on investments and \$91,618 from other general receipts.

Disbursements for the year totaled \$15,339,467, a 26 percent increase over the prior year, and included \$7,150,402 for capital projects, \$1,631,804 for debt service and \$1,421,463 for public works. Also, disbursements for business type activities totaled \$2,408,156.

The increase in receipts and disbursements is due primarily to bond proceeds received and disbursed for capital projects during the year ended June 30, 2010.

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/1020-0719-B00F.pdf>.

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CITY OF GRIMES

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

JUNE 30, 2010

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City of Grimes

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2010)		
Tom Armstrong	Mayor	Jan 2010
Michael Grove	Mayor Pro Tem	Jan 2010
Jill Altringer	Council Member	Jan 2010
Ron Long	Council Member	Jan 2010
Tami Evans	Council Member	Jan 2012
Craig Patterson	Council Member	Jan 2012
Kelley Brown	Administrator	Indefinite
Rochelle Williams	Clerk	Indefinite
Barbara Alexander	Treasurer	Indefinite
Tom Henderson	Attorney	Indefinite
(After January 2010)		
Tom Armstrong	Mayor	Jan 2014
Jill Altringer	Mayor Pro Tem	Jan 2014
Tami Evans	Council Member	Jan 2012
Craig Patterson	Council Member	Jan 2012
Thomas Shatava	Council Member	Jan 2014
Mat Tapper	Council Member	Jan 2014
Kelley Brown	Administrator	Indefinite
Rochelle Williams	Clerk	Indefinite
Barbara Alexander	Treasurer	Indefinite
Tom Henderson	Attorney	Indefinite

City of Grimes



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Grimes, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Grimes' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Grimes as of June 30, 2010, and the respective changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2010 on our consideration of the City of Grimes' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 20 and 38 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grimes' basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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

September 30, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2010 FINANCIAL HIGHLIGHTS

- The governmental activities property tax receipts increased approximately \$669,000 from fiscal year 2009 to fiscal year 2010. This is the result of the regular taxable valuation increase from \$286,205,564 to \$330,504,759. Over the past five years, the regular taxable valuation has grown from \$175,745,737 to \$330,504,759, resulting in an increase of \$154,759,022, or 88%.

Receipts and transfers of the City's governmental activities increased 130%, or approximately \$10,932,000, from fiscal year 2009 to fiscal year 2010. A \$10 million bond issue was issued during fiscal year 2010 which accounts for the majority of the difference between the two years. As well as indicated above, the City received in over \$669,000 in property tax receipts over and above those received in fiscal year 2009 and an increase of approximately \$244,000 in charges for service. Fiscal year 2010 continued to be very busy for the City of Grimes in spite of the economy. The East 1st Street road construction and lighting project was completed. The South James Street paving project, which received \$950,000 in American Recovery and Reinvestment Act (ARRA) funds, was also completed. In addition, the South Trail Project, the Concession Stand Project and the Edgewood Water Main Project were completed.

As numbers continued to increase after the downturn in the economy, residential and commercial construction increased, resulting in an increase of approximately \$174,000 in receipts from building permit fees, approximately \$77,000 in water tapping fees and approximately \$127,000 in sewer tapping fees. Those receipts have increased but haven't rebounded completely to the fiscal year 2008 numbers of \$359,528, \$169,980 and \$273,770 respectively. Indicative of little actual plat development, building development fees, which are the reimbursement of billed engineering and inspection fees for the site plans, plats and public infrastructure improvements, continued to decrease, from \$131,169 in fiscal year 2008, \$71,979 in fiscal year 2009 and \$44,690 in fiscal year 2010. Consistent with this decline, disbursements for engineering and inspection fees also decreased from \$128,912 in fiscal year 2008, \$76,125 in fiscal year 2009 and \$70,459 in fiscal year 2010. What this means is new plats are currently not being constructed. Most of the construction is continuing on existing plats where the infrastructure costs have already been incurred and paid by the developer.

Despite the downturn in building overall, commercial valuation continued to increase. Starting in 2003, commercial valuations have grown over the years from \$62,873,157, \$63,462,659, \$76,457,880, \$80,700,405, \$99,563,533, \$114,571,090, \$136,366,480 and now, in 2010, \$151,167,840. That is a 140.6% increase over the last seven years, or \$88,294,683. A growing community always needs to maintain a healthy balance of commercial and residential development to help maintain taxes at a consistent level.

Because of the proceeds from the bond issue to be disbursed on the Highway 44, 1st Street Project, total cash balances increased from \$5,467,461 at the end of fiscal year 2009 to \$12,229,192 at the end of fiscal year 2010. The City also received \$950,000 in ARRA funds which was a great benefit to the City. Developers also reimbursed the City \$61,863 for the Edgewood Water Main Project, \$108,097 from development agreements for the East 1st Street Project and \$831,467 in prepaid special assessments for both the East 1st Street and the SE 37th road construction projects.

The trend for road use tax receipts seems to be inconsistent. In fiscal year 2007, there was a slight decrease of \$2,231. In fiscal year 2008, receipts increased \$13,645, in fiscal year 2009, receipts decreased \$15,844, but in fiscal year 2010 receipts increased \$31,797, which doesn't include the \$25,603 of I-Jobs Road Use Tax (RUT) money. All cities in Iowa receive RUT Funds. These are distributed equally on the basis of per capita share. The *Code of Iowa*, Chapter 312.14, requires cities which receive an allotment to prepare an annual report showing receipts and disbursements for street-related activities. This annual report is not limited to RUT Funds. It includes all receipts and disbursements spent on streets. This report is called the Street Finance Report from the Iowa Department of Transportation (IDOT) and is filed with IDOT each year. For this fiscal year, the amount disbursed was \$89.50 per person, which is expected to increase to \$92.50 per person for fiscal year 2011.

The Grimes Community Complex (the old Dallas Center-Grimes Middle School) was opened in the summer of 2006 for use by the Summer Recreation program. The use of the building has been expanded to include the leasing of four rooms to the YMCA and the leasing and renovation of another two rooms for the combined use of a church or large group meeting room. The Grimes Historical Room was opened last spring and was the result of an Eagle Scout project. One room has been set up as a batting cage and another for cycling. Hours for general use have been expanded and include having a person on staff during normal hours to alleviate the need for key card access in most situations. A more comprehensive use policy has been implemented, which gives all Grimes residents two hours of free rental on most rooms for special occasions. This new programming and rental programs have accounted for \$237,691 in additional receipts over the last three years and \$106,144 in receipts for fiscal year 2010 alone.

Fire and rescue charges decreased slightly, by \$5,128, from \$101,566 to \$96,438 due to a slight decrease in the number of calls. The county library tax subsidy from the Polk County Board of Supervisors decreased \$7,531 and is expected to decrease every year until this program is phased out.

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

- Disbursements for the City's governmental activities increased 29.6%, or approximately \$2,953,000, from fiscal year 2009 to fiscal year 2010. The net difference in disbursements, after eliminating the effects of capital projects and debt service, is an actual decrease of approximately \$154,000, from approximately \$4,303,000 in fiscal year 2009 to approximately \$4,149,000 in fiscal year 2010. Spending for the public safety function increased from \$1,126,024 to \$1,267,021. Some of this increase can be accounted for by the increase in the Polk County Sheriff's contract. During the next three years, the City of Grimes and Polk County have contracted in an agreement whereby the City will stair step increase its contributions to the County so the County isn't contributing as high of a percentage of the disbursements of this contract. This first year resulted in an increase of \$53,186 and the second year will increase \$54,417. The City of Grimes also hired an additional full time paramedic/fire fighter, increasing the current staff to three full time and an additional full time-equivalent paramedic/fire fighter to be on staff during the day, for an increase in spending of \$72,233. Engineering disbursements decreased \$39,284. The Building Department also contributed to the Metro Home Improvement Program, which accounted for an increase of \$20,256. The Metro Home Improvement Program is an owner occupied rehabilitation improvement program with the purpose to preserve the existing affordable housing stock in the participating communities.
- Public works function disbursements decreased approximately \$239,000. Road use tax makes up the majority of this amount, with a decrease of \$229,212. In fiscal year 2008, the City purchased the old elevator property and demolished the elevator and all

of the grain storage bins in this area. The Railroad has agreed to abandon the line to just south of South 11th which will eliminate seven railroad crossings. Removing the railroad tracks will save the City significant disbursements when it comes to having to repair and upgrade all of the railroad crossings. The City spent approximately \$176,000 in capital improvement funds to demolish the buildings and clean up the land. In addition, a new metro salt storage facility was constructed in the southern industrial area of Grimes. This facility will potentially reduce costs for metro cities by being able to purchase in larger bulk quantities without storage concerns. \$47,000 was disbursed in fiscal year 2009 and \$38,800 was disbursed in fiscal year 2010 as part of the City of Grimes' investment. As was consistent across the state of Iowa, snow removal costs were significant. The City disbursed an additional \$50,210 in funds to outside contractors to assist in snow removal.

- Culture and recreation function spending also decreased approximately \$41,000. Contrary to the overall decrease, the Library increased a little over \$10,000 due to increased staff costs. Park and recreation staff costs also increased almost \$23,000. Both the Library and the park and recreation staff costs were due to increased programming and needs from the community. Overseeing and grounds costs decreased almost \$22,000 because in fiscal year 2009 an extensive grub-control program was established. In fiscal year 2009, a complete upgrade to energy efficient lighting in the Grimes Community Complex (GCC) was completed at a cost of \$34,552 and in fiscal year 2010 the City completed a HVAC Public Improvement Project to completely convert the GCC's heating and cooling systems. The Council is also considering disbursing \$600,000 on grading and seeding of the North Sports Complex, but that is currently on hold pending other potential projects.
- Community and economic development disbursements increased approximately \$19,000 in fiscal year 2009, mostly due to an increase in contributions from the City to the Grimes Chamber and Economic Development Organization, but decreased approximately \$48,000 in fiscal year 2010 because a \$50,000 economic development grant was disbursed in fiscal year 2009. Notable capital improvements for fiscal year 2010 include the completion of the East 1st Street improvement project, including lighting and beautification, to facilitate the development of Walmart, the YMCA and the development typically surrounding large box users. In addition, the SE 37th Street was completed, which included a 5 inch asphalt over to extend the life of the road until a complete rework is needed. The Gateway Drive Extension and SE 11th Signal project is now near completion and the Edgewood Drive Water Main Extension, which will promote better water pressure in the Capitol City Area, and the loop of the mains on the east side of Highway 141 was completed. The second concession stand was also completed at the South Sports Complex. This concession was a combination effort between the City of Grimes and the Connor Schnell Family Memorial for the financing of this project. The South James Street Project using ARRA funds is also near completion and the City's biggest road project ever, the almost \$7,000,000 East 1st Street (aka Hwy 44) road improvement project is well underway. This project will provide for a center turn-only lane through the entire city and will then transition into a two lane boulevard on the western section of the developed town. The James Street intersection will have left turn-lanes and a signal will be installed at Main and E 1st Street. All in all, this will be a beautiful project when completed and will greatly enhance the transportation system of the City of Grimes.
- General government function disbursements increased approximately \$32,000. Most of this increase is due to the addition of a City Clerk and a full-time administrative assistant. Both were hired in late 2008. Prior to that time, earlier in 2008, the City Administrator and City Clerk duties were performed without the benefit of a full time City Clerk.
- The City's governmental activities total cash basis net assets increased 198.9%, or approximately \$6,408,000, from June 30, 2009 to June 30, 2010. A majority of this increase can be accounted for from the proceeds from a \$10,000,000 bond issue received in November 2009. These proceeds repaid the negative fund balances in

several of the accounts within the Capital Projects Fund at June 30, 2009 and are waiting to be disbursed on the 1st Street Project, the Gateway Drive Project and the upcoming Sanitary Sewer Main Project. The projected use of the 2010 bond issue is as follows: the demolition of the elevator buildings: \$270,000, the GCC HVAC project: \$463,000, the Comprehensive Plan: \$85,000, Map updates: \$50,000, Phase I Storm Water Implementation: \$70,000, SE Capitol City Pavement repairs: \$165,000, E 1st St Improvements 2009: \$1,300,000, SE 37th Overlay: \$625,000, S James Improvements: \$1,700,000, NW 142nd and 82nd Ave overlay: \$100,000, NW 78th overlay: \$50,000, Gateway Dr Extension: \$270,000, 1st Street (Hwy 44): \$2,772,000, Outfall Trunk Sewer: \$1,400,000, water main extension and water tower painting: \$370,000 and QT Improvements: \$22,500. The rest was either part of the bonding fees or will be disbursed on other infrastructure improvements. All of the projects intended to be financed by the \$5.2 million bond issue in 2008 have been completed. To recap, \$700,000 was received for the purchase of park land adjacent to Northridge Elementary School and the remaining \$4.5 million was for road construction for the South 19th and Little Beaver Assessment Project, the finalization of the 54th Avenue and South 6th Street Assessment Projects and the South 11th Street Assessment Project. Lastly, a new addition to the Cemetery is in the process of being completed. The new addition features the extension of the current roads, 704 new burial plots and an added berm and landscaping to shelter it from the green space to the south which is now being used for soccer fields.

The General Fund cash balance increased \$471,650. The Special Revenue, Road Use Tax Fund cash balance decreased \$8,683. The Debt Service Fund cash balance increased \$91,074 because proceeds are accumulating from developer assessments that are not sufficient for prepayment on the bond at this time and proceeds from the completion of the SE 37th assessment project. Capital Project Fund balances increased \$5,744,906 because of the bond issue as noted in the previous paragraph. The other nonmajor governmental fund cash balances increased \$96,529, mostly due to an increase in employee benefits property tax receipts, county library tax and conservative spending. The City Council continues to be prudent in its budgeting and has heeded previous cautions by auditors to use fund balances versus tax collections wherever possible.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water system, the sanitary sewer system and solid waste disposal. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

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

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

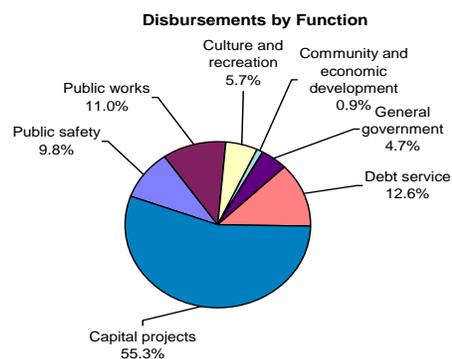
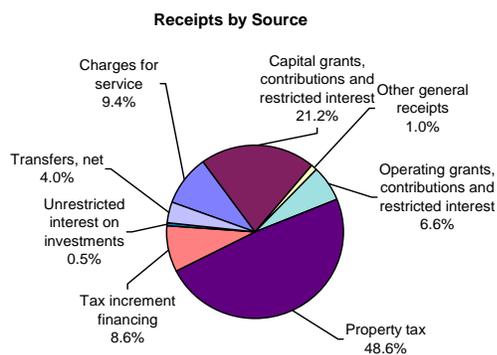
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City, and the Solid Waste Fund.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The cash balances increased over a year ago, from approximately \$3.221 million to approximately \$9.628 million. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

	Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30,	
	2010	2009
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 880,664	636,168
Operating grants, contributions and restricted interest	625,371	649,212
Capital grants, contributions and restricted interest	1,990,910	1,669,882
General receipts:		
Property tax	4,585,448	3,916,331
Tax increment financing	812,070	881,205
Unrestricted interest on investments	42,712	117,717
Bond proceeds	9,932,130	-
Other general receipts	91,618	86,501
Transfers, net	378,000	450,000
Total receipts and transfers	<u>19,338,923</u>	<u>8,407,016</u>
Disbursements:		
Public safety	1,267,021	1,126,024
Public works	1,421,463	1,660,313
Culture and recreation	738,238	778,958
Community and economic development	112,859	160,916
General government	609,524	577,086
Debt service	1,631,804	1,585,293
Capital projects	7,150,402	4,089,799
Total disbursements	<u>12,931,311</u>	<u>9,978,389</u>
Increase (decrease) in cash basis net assets	6,407,612	(1,571,373)
Cash basis net assets beginning of year	<u>3,220,829</u>	<u>4,792,202</u>
Cash basis net assets end of year	<u>\$ 9,628,441</u>	<u>3,220,829</u>



The City's total receipts and transfers for governmental activities increased 130%, or \$10,931,907. The total cost of all programs and services increased 29.6%, or \$2,952,922. No programs were deleted this year and there continues to be an increase in the recreational programming at the Grimes Community Complex. A significant increase in tax receipts resulted from an increase in regular taxable valuation, from \$286,205,564 to \$330,504,759. Regular taxable valuation increased 15.5%, or \$44,299,195. Property tax receipts, not including TIF collections or other city taxes, increased \$669,117. The City also completed large transportation and utility infrastructure projects this year, resulting in \$913,719 in reimbursements from developer agreements.

The City's property tax rates for fiscal year 2010 decreased ever so slightly, with a tax rate of \$12.92062 per \$1,000 of taxable valuation versus \$12.96278 per \$1,000 of taxable valuation for fiscal year 2009. The rollback percentage decreased from 45.56% to 44.08% from fiscal year 2008 to fiscal year 2009 and actually increased this year from 44.08% to 45.589%. The net result of the slight tax rate increase and the decrease in the rollback percentage resulted in a net decrease in property tax to the property owner. The effect on a property valued at \$150,000 was an increase in tax of \$26.46 for fiscal year 2008. In fiscal year 2009, the tax rate actually decreased \$26.24, so the net effect over the last two years is 22 cents! The residential rollback percentage is projected to increase again for fiscal year 2011 to 46.9094% and the tax rate has decreased again slightly, to \$12.910 per \$1,000 of taxable valuation. This nominal decrease coupled with the increase in the rollback has the result of increasing the net city taxes paid by the homeowner of that same \$150,000 home by \$24.68. Over the course of three years, the tax impact has increased slightly. Note, however, the tax levy to property owners may still increase at a higher percentage due to an overall increase in the valuation of their property or an increase in school, county or other tax levies.

The cost of all governmental activities this year was approximately \$12.931 million compared to approximately \$9.978 million last year. However, as shown in the Statement of Activities and Net Assets on pages 22-23, the amount taxpayers ultimately financed for these activities was only \$9.434 million because \$880,664 of the cost was paid by those directly benefiting from the programs. \$625,371 was paid by other governments and organizations which subsidized certain programs with operating grants, contributions and restricted interest or capital grants, contributions and restricted interest (developer agreements, etc.) of \$1,990,910. Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in fiscal year 2010 from \$8,407,016 to \$19,338,923, principally due to approximately \$10 million received from a bond issue in November 2009. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$5,398,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 1,735,724	1,527,860
Sewer	1,190,661	983,953
Solid waste	213,825	194,793
General receipts:		
Unrestricted interest on investments	65	82
Total receipts	<u>3,140,275</u>	<u>2,706,688</u>
Disbursements and transfers:		
Water	1,315,857	1,208,812
Sewer	849,349	775,338
Solid waste	242,950	226,089
Transfers, net	378,000	450,000
Total disbursements and transfers	<u>2,786,156</u>	<u>2,660,239</u>
Increase in cash basis net assets	354,119	46,449
Cash basis net assets beginning of year	<u>2,246,632</u>	<u>2,200,183</u>
Cash basis net assets end of year	<u>\$ 2,600,751</u>	<u>2,246,632</u>

Total business type activities receipts for fiscal year 2010 were approximately \$3.1 million compared to approximately \$2.7 million last year. This increase was due primarily to a decrease in water and sewer tapping fees that accompany new construction, as well as an overall increase in users and the water usage by a new industry, Lindweld.

The cash balance increased \$354,119 over the prior year because of the strong fiscal management in this area to increase balances to pay for capital projects, thus decreasing debt service. Receipts increased 16.0% and disbursements and transfers increased 4.7%. Thus, the overall effect of the prior year's increase in net assets of \$46,449 benefited from the increase in water receipts and sewer receipts as well as the water and sewer tapping fees from new construction. Total disbursements and net transfers for the fiscal year increased from approximately \$2.660 million last year to approximately \$2.786 million for fiscal year 2010. This was an increase of \$125,917, or 4.7%.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Grimes completed the year, its governmental funds reported a combined fund balance of \$9,628,441, an increase of \$6,407,612 over last year's total of \$3,220,829. 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 \$471,650 over the prior year to \$2,797,429. This increase was due to the increase in total valuation resulting in an increase in property tax received. General Fund receipts increased \$407,512 and disbursements increased \$157,274. The City continues to monitor taxes and ending fund balances to determine the ideal balance between having money in reserve for unforeseen emergencies versus keeping taxes at a consistent level.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$489,270 during fiscal year 2009 to \$53,823 and \$8,683 during fiscal year 2010 to \$45,140. This continued decrease was due largely to the purchase of the old elevator building and property along West 1st Street (Highway 44) which will be needed for right-of-way for the expansion of West 1st Street to a 3-lane roadway and for the cleanup and demolition of this entire area. The ending balance of \$45,140 is being held to facilitate road construction projects in fiscal year 2011. The City is committed to the continued use of road use tax receipts for major construction projects versus operation of the street department.
- The Special Revenue, Tax Increment Financing Fund (TIF) was established years ago to finance projects whereby an investment by the City in infrastructure results in an overall larger tax base. The premise of the use of TIF can be illustrated in this example. The City of Grimes designated the area east of Little Beaver to Highway 141 and south to Urbandale as an urban renewal area. The City passed bonds and used TIF financing to pay for the sewer, water, road improvements and the signals at 54th and Highway 141. As a result of that investment, this area has been converted from fields into businesses. The increase in tax receipts obtained from the growth in this urban renewal area is first used to pay off the debt incurred to extend the utilities to this area. After the debt has been paid, the City, County and School District gain the benefit of the increased tax receipts. The resulting benefit to the citizens of Grimes and the Dallas Center-Grimes School District is an increase in the valuation of the City, resulting in increased tax receipts to provide services. Traditionally, the City Council has only used TIF financing to promote commercial or industrial development. These are taxed at 100% of their valuation versus residential valuation which is taxed at 45.589% for fiscal year 2010. The City is currently certifying TIF debt for the payment of the utilities extended in the example above, transportation, trail system planned improvements, signals at Highway 141 and NW 62nd/S 19th, the fire station addition, sports complex and the paving of James Street. The area east of Highway 141 and south of South 11th was amended into the urban renewal area so

TIF financing could be used for the signals at Highway 141 and NW 62nd/S 19th and for the South 11th project. The City has also completed the process of amending the remaining portion of the annexed area into the urban renewal area to give the City ultimate flexibility for the use of TIF for economic development as well as improvements to lower valued properties. TIF has recently been used in developer agreements whereby the developer fronts the money for the infrastructure improvements. The developer is then repaid its investment from the taxes generated from the increment in valuation caused by development of the property. The developer is given the incentive to repay its self-incurred debt from the timely development of the property.

At the end of the fiscal year, the TIF cash balance was \$49,855, an increase of \$12,136 over the previous year. The City only certifies enough TIF receipts to pay off the current year's portion of the debt each year. If the resulting taxes generated from the increment in valuation are more than needed to make the bond payments, the City, County and School District receive the benefit of the tax revenue.

- The Debt Service Fund cash balance increased \$146,566 to \$1,283,989 during fiscal year 2009 and increased to \$1,375,063 during fiscal year 2010. The increases are due to the receipt of developer reimbursement proceeds from the South 19th and Little Beaver assessment projects, as well as the 54th Ave. Road assessment project, the South 6th Street assessment project, the SE 37th Street assessment project and the East 1st Street assessment project. The developer reimbursement proceeds will be held until the bonds can be called.
- The Capital Projects Fund cash balance increased from \$(975,129) to \$4,769,777. The increase was due to the timing of the passage of a \$10 million bond issue which paid back the negative balance in this account and is being held for the East 1st Street (Hwy 44) and the Trunk Sewer Main projects.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$219,932 to \$1,306,534, due primarily to water receipts exceeding actual disbursements. In addition, the balance allowed \$200,000 to be transferred to the Capital Projects Fund. Higher plant repair and maintenance, chemical costs and insurance account for the increase in disbursements of \$107,045. Water and sewer tapping fees are used exclusively to finance maintenance and replacement of existing lines.
- The Enterprise, Sewer Fund cash balance increased \$141,312 to \$1,288,135. Receipts increased \$206,708 and disbursements increased \$ \$74,011. This balance also allowed for \$200,000 to be transferred to the Capital Projects Fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. This amendment was approved on March 9, 2010. This amendment provided for an increase in receipts for charges for service of \$92,700. License and permit receipts were projected to decrease \$32,100 from the amount originally estimated in March of the prior year. Use of money and property and intergovernmental receipts were also expected to decrease \$54,150. Special assessments increased \$150,000 and other financing sources, including developer payments and the bond issue, increased \$6,764,228. The amount of the bond issue had not been determined and the status of the assessment projects had not been finalized when the budget was originally certified in March of 2009. The \$6.7 million increase in other financing sources accounts for this. The budget amendment also provided for an increase in disbursements of \$1,472,393. Most of this increase was in the public works, debt service, capital projects and business-type activities functions, with increases of \$148,500, \$512,935, \$745,000 and \$104,000, respectively. Most of the public works function increase is in the RUT area where an additional \$100,000 was appropriated for road work as well as \$50,000 for snow removal contract costs. The debt service

function increased \$512,935 to provide for the pre-levy for the \$10 million bond issue. The capital projects function increased \$745,000 to provide for the payments for the capital improvements which were not known when the budget was originally adopted. Lastly, all three business type activities, water, sewer and solid waste, increased around \$104,000. Water and sewer increased because of increases in the debt service payments and solid waste increased because of increases in household services and an increase in special collections for yard waste pickups and the spring cleanup. In addition, the culture and recreation function increased \$17,356 to account for increased programming disbursements and improvements to the Grimes Community Complex. The City traditionally amends the budget in May of the fiscal year because the exact timing and payment of capital improvement projects is seldom known at the time the original City budget is certified in March of the previous year, but this year the progress of the capital projects necessitated an earlier amendment.

When all was said and done and the final numbers were calculated as of June 30, 2010, the variations between what was budgeted and what was actually received or disbursed are as follows. First of all, the culture and recreation function had another great year. The function was approximately \$151,000 under budget because of savings in utility costs, mowing, fertilizer and weed control. Last year there was a substantial investment in grub mitigation. The expansion of programming for the overall park and recreation system has been phenomenal, as well as the interest in youth and adult programs. Gym space is once again an issue as more and more people are interested in indoor sports in the colder months when being outside isn't as desirable. The public safety function disbursed \$86,841 less than the final budgeted amount, mainly due to the decrease in billable engineering disbursements as indicated in the financial highlights. Costs for infrastructure and plat inspections were down this year. Non-billable engineering disbursements were also down. Furthermore, the Polk County Sheriff's contract and traffic safety were down. However, the wages budgeted for part time fire and rescue were up. The public works function came in right at the budget projection and disbursed all but \$4,537. Although the street department itself went over budget approximately \$24,000, the Special Revenue, Road Use Tax Fund disbursed approximately \$24,000 less than budgeted. The true savings was in the street light category, which spent approximately \$4,900 less than budgeted. The debt service function also came in under budget by \$116,044. The debt service function amount originally certified for the new \$10,000,000 bond issue was more than actually required. The capital projects function typically comes in under budget as the progress on these large projects is hard to estimate due to weather conditions or other outside factors beyond the normal control of the contractors. The capital projects function came in \$819,598 under budget. Water, roads, GCC, sewer and comp plan sewer all experienced variances. The business type activities function, ie, water, sewer and solid waste, came in \$222,524 under budget. The Water Department accounted for \$90,443 of this variance. Plant repairs, building and grounds, testing costs, utilities, chemicals, meters and accessories and equipment and tools all came in lower than originally estimated. Lime removal was \$11,700 over budget, but savings in the other areas superseded this overage. The Sewer Utility accounted for \$83,530 of this variance. \$40,000 had been budgeted for line maintenance, but only \$2,415 had been disbursed as of June 30. Also, employee wages, equipment maintenance, contracts, reed bed maintenance and utilities also came in under budget. Solid waste also came in under budget by \$48,551. Overall, spending was \$1,459,754 less than the final budgeted amounts.

The budget to year-end receipts were also reviewed and are as follows. There always seems to be a little variation in property tax budgeted versus those received because of the timing of the payments and the actual payments of taxes. This accounts for the discrepancy of \$78,473. Obviously, if someone doesn't pay their taxes, the City doesn't receive them, at least until they are finally paid in one manner or another. Franchise tax, mobile home tax, utility replacement and hotel/motel tax all vary depending on the actual underlying receipt received for those services. Other city tax was down \$16,407. An increase of \$39,613 over what had been budgeted for the Mediacom franchise tax was received. However, mobile home tax was down \$40,831 from what was originally budgeted. Hotel/motel tax was also down \$7,995, which is not surprising given fewer people are traveling right now. Licenses and permits were over budget by \$117,396 as more permits were pulled in fiscal year 2010. Use of money and property was under the amount

budgeted by \$2,688. Intergovernmental was \$1,051,538 more than budgeted due to the receipt of \$950,000 in ARRA payments for the South James Street road construction project and an additional \$42,568 in RUT funds, \$25,603 of which was from I-Jobs money. Charges for service was also over by \$56,182, although water collections were down \$73,077 because of a very wet spring and summer. Sewer, however, was higher than estimated with \$61,156 in collections and \$69,505 in tapping fees. Fire and rescue actually received \$5,128 less in fees than anticipated as the number of ambulance and fire calls seem to fluctuate from year to year. The City entered into a new agreement with a collection agency in early 2009 to facilitate the percentage of fees actually collected for these calls. The City Council will continue to consider the hardship cases and will waive fees if the situation warrants it. There have been some write-offs this year. Lastly, parks exceeded their receipt expectations by \$26,144. Programming continues to increase as more and more people are taking advantage of the services the City is offering. Special assessments were \$60,756 less than budgeted due to the timing of capital projects and when the developers pay their portion of the assessments. Road development fees are contingent upon the timing of projects as well. Miscellaneous receipts also received \$1,038,068 more than budgeted. \$913,719 was received in developer payments for the E 1st Street project. Also, \$62,842 was received from prepayments of assessments on the SE 37th project. Overall, the City received \$2,272,942 more than budgeted.

DEBT ADMINISTRATION

At June 30, 2010, the City had approximately \$24.934 million in bonds and other long-term debt outstanding, compared to approximately \$16.392 million last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2010	2009
General obligation bonds	\$ 17,320	8,170
Revenue bonds	7,288	7,810
Loan agreements	285	352
Lease-purchase agreement	41	60
Total	\$ 24,934	16,392

Debt increased because of the \$10,000,000 bond issue passed in November 2009. As stated above, this bond was passed to finance the following projects: the demolition of the elevator buildings, \$270,000, the GCC HVAC project, \$463,000, the Comprehensive Plan, \$85,000, Map updates, \$50,000, Phase I Storm Water Implementation, \$70,000, SE Capitol City Pavement repairs, \$165,000, E 1st St Improvements 2009, \$1,300,000, SE 37th Overlay, \$625,000, S James Improvements, \$1,700,000, NW 142nd and 82 Ave overlay, \$100,000, NW 78th overlay, \$50,000, Gateway Dr Extension, \$270,000, 1st Street (Hwy 44), \$2,772,000, Outfall Trunk Sewer, \$1,400,000, water main extension and water tower painting, \$370,000 and QT Improvements, \$22,500. The rest was either part of the bonding fees or will be expended on other infrastructure improvements. Other than the increase for the bond issue, the remaining debt decreased because the required payments were made. Prior year debt includes a \$5.2 million bond issue in fiscal year 2008. \$700,000 of the proceeds from this issue was used to purchase parkland south and west of the new Northridge Elementary School. This purchase helped to facilitate a joint driveway with the school that will also be extended to service the parkland. As this parkland is developed, the City and school will develop another 28E agreement for the use of this property similar to what is already in place for South Prairie Elementary School and the current Sports Complex. The remaining \$4.5 million was used to finance the 54th Avenue, South 6th Street and South 11th Street road improvement projects. In addition, the City continues to certify TIF debt to lower the amount of property tax needed for debt service. The amount of TIF debt certified for development and rebate agreements subject to annual appropriation at June 30, 2010 was approximately \$812,000.

The City continues to carry a general obligation bond rating of A3 assigned by Moody's Investors Service to the City's debt in fiscal year 2008, which was recently reconfirmed during an

analysis completed before the issuance of \$10,000,000 in bonds in fiscal year 2010. During an interview with the Moody's analyst, she noted she would take a recommendation for an upgrade to A2 to the Review Committee. However, she wasn't sure, given the current economic climate, if that would be approved. It wasn't approved, but the Committee continued to note the City's growing tax base, stable financial position and above average but manageable amount of rapidly retiring debt. The City's outstanding general obligation and TIF debt of approximately \$18.5 million is significantly below its constitutional debt limit of approximately \$29.6 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Grimes' elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates and fees charged for various City activities. One of the factors the City Council will have to consider is a potential increase in garbage rates. In the past, tax revenue has been used to subsidize this Enterprise Fund. However, it was not needed in fiscal year 2010. Another area the City Council is considering is adding a storm water utility. As more and more regulations are being put in place to regulate the water going into streams and lakes, the costs to manage these requirements continue to escalate. Most of the metro cities have a storm water utility in place which pays for these costs.

The City's valuation continues to significantly increase. Valuation, excluding TIF designated areas, rose from \$481,415,782 in fiscal year 2009 to \$548,084,271 for the 2010 fiscal year budget and now is \$622,875,532. This is an increase of 29% over fiscal year 2008 and 13.6%, or \$74,791,261, over fiscal year 2009. Property tax receipts are projected to increase \$269,346. Building permits have remained relatively steady, with 131 permits issued in fiscal year 2005 with a total value of \$21,646,778. In fiscal year 2006, there were 102 single-family permits issued with a total value of \$23,445,036 and in fiscal year 2007, there were 120 single family permits issued with a total value of \$15,254,370 for new construction. In fiscal year 2008, there were 138 single family permits valued at \$17,342,083, 76 multi-family permits valued at \$7,794,715 and 23 commercial permits valued at \$9,781,523. In fiscal year 2009, there were 92 single family permits valued at \$12,937,435, 16 multi-family permits valued at \$1,260,000 and 4 commercial permits valued at \$2,321,915. In fiscal year 2010, there were 228 single family permits valued at \$32,040,289, 116 multi-family units valued at \$7,719,604 and 3 commercial permits valued at \$10,108,383. Consistent with all of the budget variances due to the recovery in building, these numbers reaffirm the upturn. However, it should be noted most of the plats are being built out with no new plats being developed. The market is still skeptical and conservative with speculative building and construction. The City conducted a special census in September 2005 which resulted in an increase in population of 764 people. This is a growth rate of 15% since 2000. This increase will result in an increase of over \$400,000 in road use tax receipts to be invested in the transportation system.

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

Characteristics -	Number	Percent	U.S.
In labor force (population 16 years and over)	3,006	83.8	63.9%
Mean travel time to work in minutes (population 16 years and over)	20.0	(X)	25.5
Median household income (dollars)	56,275	(X)	41,994
Median family income (dollars)	60,847	(X)	50,046
Per capita income (dollars)	23,712	(X)	21,587
Families below poverty level	35	2.4	9.2%
Individuals below poverty level	166	3.3	12.4%
Housing Characteristics	Number	Percent	U.S.
Single-family owner-occupied homes	1,119	100.0	
Median value (dollars)	119,500	(X)	119,600
Median of selected monthly owner costs	(X)	(X)	
With a mortgage	1,123	(X)	1,088
Not mortgaged	348	(X)	295

(X) Not applicable.

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

The City of Grimes currently has continuing projects under construction, as follows: The \$6.7 million project for the widening and complete replacement of East/West 1st Street (Hwy 44) started in May of 2010 has experienced unexpected delays with the above average rainfalls. The eastern half of this improvement project will be delayed and completed in the spring of 2011. The South James Street project is almost completed, pending a few minor issues. The NE Edgewood Drive water main project, the Gateway Drive extension and the signals at SE 11th Street are near completion. Projected to start next spring are the Outfall Trunk sewer needed to meet the capacity requirements in the eastern sewer extending from the Wastewater plant along Taylor Estates. Over the last three years, the demolition of the elevator buildings, the GCC HVAC project, the Comprehensive Plan, Map updates, Phase I Storm Water Implementation, SE Capitol City Pavement repairs, E 1st St Improvements 2009, SE 37th Overlay, NW 142nd and 82nd Ave overlay, NW 78th overlay, water tower painting, QT Improvements, the South 19th Street Extension/Little Beaver Assessment, Grimes Mapping, Phase II Storm Water Permit, Grimes Storm Sewer Mapping, Xenia Water Agreement, South 6th Street Improvements and Destination Drive street improvements have all been completed. A new Historical room was completed as an Eagle Scout project and a church is leasing and has renovated three rooms and now will be adding a fourth which will be open to public use for receptions or large meetings. The City is also in the process of adding 704 new spaces to the existing Sunnyhill Cemetery. The project also includes the extension of the existing roads, a berm and landscaping, as well as a new parking lot on the south side of the area. As the Council considers whether to start the construction of the new North Sports Complex, the green space to the south of the existing cemetery will be used for soccer and flag football practices.

In a prior year, the City of Grimes completed the annexation of 974 acres in Dallas County. In November 2006, the City completed its first voluntary annexation, which included a portion being involuntarily annexed. Also, 169.71 acres were annexed on the NE corner of Highway 141 and Highway 44. In addition, two smaller annexations were completed, both being less than one acre. The addition of over 1,145 acres puts the City in a strong position for economic growth. The City continues to look at additional areas to the west and north to facilitate future development.

In the next few years, the non-annexation agreements with the cities of Johnston, Urbandale, Granger, Dallas Center and Waukee will be renegotiated to determine future boundary lines. Johnston and Grimes have both agreed upon the border on the east of Grimes. All land along the east edge of Grimes is contiguous with Johnston or Urbandale, as well as land to the south of Grimes.

These indicators were taken into account when adopting the budget for fiscal year 2011. Amounts available for appropriation in the general operating budget for governmental activities are \$7.399 million, relatively steady from the final fiscal year 2010 actual operating and debt service receipts of \$7.390 million. Property tax (benefiting from the increases in assessed valuations) provide for increases in receipts in the General Fund of over \$178,507. \$376,595 more in property tax for debt service was certified because, although there are lower bond payments on a few of the issues, the full second year's payment is due on the 2009 \$10,000,000 bond issue. Also, \$262,280 more in TIF was certified. The licenses and permits are budgeted to be approximately \$117,000 less than last year as the housing market is still relatively unstable and our plats are being "built-out", thus decreasing the number of available lots. The Council also levied \$175,019 less in employee benefits to mitigate the overall tax impact and keep the tax rate the same. Water receipts are budgeted higher than fiscal year 2010. However, sewer is budgeted lower than the actual receipts in fiscal year 2009. This will be amended as needed. As always, when the budget is certified in March of each year, the actual numbers of the current budget aren't known so receipts are always estimated conservatively. Historically, actual receipts have exceeded budgeted receipts, with limited exceptions. The City will use these receipts to finance programs it currently offers, complete the capital improvement projects in process, initiate new capital improvement projects and plan for future projects. Budgeted disbursements, disregarding capital improvements and debt service, are expected to rise \$482,121 from actual disbursements of \$4.149 million to \$4.631 million, or 11.6%. This change is mainly due to an increase in public safety as follows: the Polk County Sheriff's contract of \$77,000, an increase of \$42,000 for fire and rescue due to an increase in personnel and associated operating costs and an increase in inspection costs of \$97,000. The Fire Department now has three full time and one

full-time equivalent on staff during the day. The culture and recreation function increased \$217,875, mainly due to increasing operational costs of the park system as a whole and wages to have the Grimes Community Complex staffed during all normal operating hours. Also adding to the additional expense is an addition to the cemetery, adding 704 more spaces, landscaping, road extensions and a parking lot. All of these disbursements will be expended solely from the Cemetery Fund. The general government function is also expected to increase \$45,295 as all the positions have currently been filled and there may be additional Census 2010 cost depending on the amount of manpower needed to count all of those homes who didn't mail in their responses. If all of the estimates are realized, the City's budgeted General Fund cash balance is expected to decrease about \$140,170.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kelley Brown, City Administrator, 101 North Harvey, Grimes, Iowa 50111 or by e-mail at kelbrown@ci.grimes.ia.us.

Basic Financial Statements

City of Grimes

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 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	\$ 1,267,021	525,791	-	-
Public works	1,421,463	-	543,769	-
Culture and recreation	738,238	124,575	35,759	-
Community and economic development	112,859	-	20,900	-
General government	609,524	5,944	24,938	-
Debt service	1,631,804	189,244	5	62,842
Capital projects	7,150,402	35,110	-	1,928,068
Total governmental activities	12,931,311	880,664	625,371	1,990,910
Business type activities:				
Water	1,315,857	1,735,724	-	-
Sewer	849,349	1,190,661	-	-
Solid waste	242,950	213,825	-	-
Total business type activities	2,408,156	3,140,210	-	-
Total	\$ 15,339,467	4,020,874	625,371	1,990,910
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Bond proceeds				
Unrestricted interest on investments				
Other general receipts				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Debt service				
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
(741,230)	-	(741,230)
(877,694)	-	(877,694)
(577,904)	-	(577,904)
(91,959)	-	(91,959)
(578,642)	-	(578,642)
(1,379,713)	-	(1,379,713)
(5,187,224)	-	(5,187,224)
(9,434,366)	-	(9,434,366)
-	419,867	419,867
-	341,312	341,312
-	(29,125)	(29,125)
-	732,054	732,054
(9,434,366)	732,054	(8,702,312)
3,401,090	-	3,401,090
812,070	-	812,070
1,184,358	-	1,184,358
9,932,130	-	9,932,130
42,712	65	42,777
91,618	-	91,618
378,000	(378,000)	-
15,841,978	(377,935)	15,464,043
6,407,612	354,119	6,761,731
3,220,829	2,246,632	5,467,461
\$ 9,628,441	2,600,751	12,229,192
\$ 45,140	-	45,140
1,375,063	139,446	1,514,509
4,769,777	-	4,769,777
643,872	-	643,872
2,794,589	2,461,305	5,255,894
\$ 9,628,441	2,600,751	12,229,192

City of Grimes

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

As of and for the year ended June 30, 2010

	Special Revenue		
	General	Road Use Tax	Tax Increment Financing
Receipts:			
Property tax	\$ 2,778,942	-	-
Tax increment financing	-	-	812,070
Other city tax	215,732	-	-
Licenses and permits	349,221	-	-
Use of money and property	48,656	-	-
Intergovernmental	35,990	543,769	-
Charges for service	247,272	-	-
Special assessments	-	-	-
Miscellaneous	58,820	-	-
Total receipts	3,734,633	543,769	812,070
Disbursements:			
Operating:			
Public safety	1,267,021	-	-
Public works	947,506	473,957	-
Culture and recreation	719,981	-	-
Community and economic development	102,859	-	-
General government	609,524	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	3,646,891	473,957	-
Excess (deficiency) of receipts over (under) disbursements	87,742	69,812	812,070
Other financing sources (uses):			
Bond proceeds, net of \$67,870 discount	-	-	-
Operating transfers in	391,908	-	-
Operating transfers out	(8,000)	(78,495)	(799,934)
Total other financing sources (uses)	383,908	(78,495)	(799,934)
Net change in cash balances	471,650	(8,683)	12,136
Cash balances beginning of year	2,325,779	53,823	37,719
Cash balances end of year	\$ 2,797,429	45,140	49,855
Cash Basis Fund Balances			
Reserved for debt service	\$ -	-	-
Unreserved:			
General fund	2,797,429	-	-
Special revenue funds	-	45,140	49,855
Capital projects fund	-	-	-
Total cash basis fund balances	\$ 2,797,429	45,140	49,855

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
1,184,358	-	498,034	4,461,334
-	-	-	812,070
-	-	-	215,732
-	-	-	349,221
5	37,515	5,521	91,697
-	987,077	27,819	1,594,655
-	-	-	247,272
189,244	-	-	189,244
62,842	938,586	7,320	1,067,568
1,436,449	1,963,178	538,694	9,028,793
-	-	-	1,267,021
-	-	-	1,421,463
-	-	18,257	738,238
-	-	10,000	112,859
-	-	-	609,524
1,631,804	-	-	1,631,804
-	7,150,402	-	7,150,402
1,631,804	7,150,402	28,257	12,931,311
(195,355)	(5,187,224)	510,437	(3,902,518)
-	9,932,130	-	9,932,130
286,429	1,000,000	-	1,678,337
-	-	(413,908)	(1,300,337)
286,429	10,932,130	(413,908)	10,310,130
91,074	5,744,906	96,529	6,407,612
1,283,989	(975,129)	494,648	3,220,829
1,375,063	4,769,777	591,177	9,628,441
1,375,063	-	-	1,375,063
-	-	-	2,797,429
-	-	591,177	686,172
-	4,769,777	-	4,769,777
1,375,063	4,769,777	591,177	9,628,441

City of Grimes

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

As of and for the year ended June 30, 2010

	Enterprise			Total
	Water	Sewer	Nonmajor Solid Waste	
Operating receipts:				
Charges for service	\$ 1,735,724	1,190,661	213,825	3,140,210
Operating disbursements:				
Business type activities	891,992	411,321	242,950	1,546,263
Excess (deficiency) of operating receipts over (under) operating disbursements	843,732	779,340	(29,125)	1,593,947
Non-operating receipts (disbursements):				
Interest on investments	65	-	-	65
Debt service	(423,865)	(438,028)	-	(861,893)
Net non-operating disbursements	(423,800)	(438,028)	-	(861,828)
Excess (deficiency) of receipts over (under) disbursements	419,932	341,312	(29,125)	732,119
Other financing sources (uses):				
Operating transfers in	-	-	22,000	22,000
Operating transfers out	(200,000)	(200,000)	-	(400,000)
Total other financing sources (uses)	(200,000)	(200,000)	22,000	(378,000)
Net change in cash balances	219,932	141,312	(7,125)	354,119
Cash balances beginning of year	1,086,602	1,146,823	13,207	2,246,632
Cash balances end of year	\$ 1,306,534	1,288,135	6,082	2,600,751
Cash Basis Fund Balances				
Reserved for debt service	\$ 99,098	40,348	-	139,446
Unreserved	1,207,436	1,247,787	6,082	2,461,305
Total cash basis fund balances	\$ 1,306,534	1,288,135	6,082	2,600,751

See notes to financial statements.

City of Grimes

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Polk County Assessor's Conference Board and the Polk County Joint E911 Service Board.

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

B. Basis of Presentation

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

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

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

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

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

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

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

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

The Tax Increment Financing Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

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

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

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$59,058 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City's investment in the Iowa Public Agency Investment Trust is unrated.

(3) Bonds Payable and Other Financing Arrangements

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

Year Ending June 30,	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 1,255,000	733,160	543,000	285,424	1,798,000	1,018,584
2012	1,295,000	695,815	563,000	264,195	1,858,000	960,010
2013	1,335,000	653,348	587,000	242,180	1,922,000	895,528
2014	1,385,000	607,285	609,000	219,219	1,994,000	826,504
2015	1,430,000	555,875	632,000	195,386	2,062,000	751,261
2016-2020	6,385,000	1,907,153	3,557,000	585,334	9,942,000	2,492,487
2021-2024	4,235,000	510,832	797,000	31,263	5,032,000	542,095
Total	\$ 17,320,000	5,663,468	7,288,000	1,823,001	24,608,000	7,486,469

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$5,976,000 of water revenue bonds issued in December 2000. Proceeds from the bonds provided financing for the construction of water main extensions. The bonds are payable solely from water customer net receipts and are payable through 2021. Annual principal and interest payments on the bonds are expected to require less than 50 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$4,646,221. For the current year, principal and interest paid and total customer net receipts were \$421,832 and \$843,732, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$5,372,000 of sewer revenue bonds issued in December 2000. Proceeds from the bonds provided financing for the construction of improvements to the sewer treatment plant. The bonds are payable solely from sewer customer net receipts and are payable through 2021. Annual principal and interest payments on the bonds are expected to require less than 52 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$4,464,780. For the current year, principal and interest paid and total customer net receipts were \$405,992 and \$779,340, respectively.

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

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

Loan Agreements

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

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

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

Year Ending June 30,	Fire Truck			Ambulance			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2011	4.09%	\$ 50,000	10,825	4.79%	\$ 17,832	1,750	67,832	12,575
2012	4.24	50,000	8,780	4.79	18,687	896	68,687	9,676
2013	4.38	50,000	6,660	-	-	-	50,000	6,660
2014	4.48	50,000	4,470	-	-	-	50,000	4,470
2015	4.58	48,681	2,230	-	-	-	48,681	2,230
Total		\$ 248,681	32,965		\$ 36,519	2,646	285,200	35,611

Payments under the agreements for the year ended June 30, 2010 totaled \$82,367.

Lease-Purchase Agreement

During the year ended June 30, 2008, the City entered into a lease-purchase agreement to lease a truck and snow plow. The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreement in effect at June 30, 2010:

Year Ending June 30,	Amount
2011	\$ 22,562
2012	22,561
Total minimum lease payments	45,123
Less amount representing interest	(3,682)
Present value of net minimum lease payments	\$ 41,441

Payments under the agreement for the year ended June 30, 2010 totaled \$22,562.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% 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 \$88,277, \$72,082 and \$54,907, respectively, equal to the required contributions for each year.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 22 active and no retired members in the plan. Participants must be 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$300 for single coverage and \$1,200 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$255,231 and no contributions were made by plan members eligible for benefits.

(6) 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, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 77,000
Compensatory time	17,000
Total	<u>\$ 94,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2010.

(7) 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: Employee Benefits	\$ 391,908
Debt Service	General	8,000
	Special Revenue: Road Use Tax	78,495
	Tax Increment Financing	199,934
Capital Projects	Special Revenue: Tax Increment Financing	600,000
	Enterprise: Water	200,000
	Sewer	200,000
Enterprise: Solid Waste	Special Revenue: Emergency	22,000
Total		<u>\$ 1,700,337</u>

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

(8) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2010 were \$127,308.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

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

The City self funds health coverage for its employees. The plan is funded by the City and is administrated by the City. The City assumes liability for the difference in deductibles from the plan for any amounts over \$250 individual and \$500 family. The City also self-insures the co-pay for anything over the amounts of \$15 per office visit. Monthly payments of claims are paid from the City's General Fund. During the year ended June 30, 2010, the City transferred \$15,208 from the Special Revenue, Employee Benefits Fund to the General Fund to fund the fees and claims paid by the City.

(9) Development and Rebate Agreements

The City has entered into four development and rebate agreements to assist in certain urban renewal projects. The City agreed to rebate incremental property tax paid by the developers in exchange for the costs of certain infrastructure improvement projects constructed by the City as set forth in the urban renewal plan and the individual development and rebate agreements. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developers will be rebated for periods ranging from five to ten years, beginning with the tax year in which the property tax on the completed value of the improvements is first paid. The maximum amount to be rebated under the development and rebate agreements is the lesser of actual project costs paid by the developer or \$1,023,141. The agreements do not include provisions for payment of interest.

During the year ended June 30, 2010, the City rebated \$35,809 of incremental property tax to developers. Resources were transferred from the Special Revenue, Tax Increment Financing Fund to the Debt Service Fund and the payment of this obligation was charged to the debt service function. The outstanding principal balance on these agreements at June 30, 2010 is \$853,865.

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

An additional development agreement requires the City to reimburse a portion of road use tax eligible project costs paid by the developer for certain infrastructure projects. The reimbursements will be funded from future road use tax receipts. The maximum to be paid under this development agreement is the lesser of actual road use eligible project costs paid by the developer or \$1,013,435. The rebates will span a five-year period. In the event road use tax receipts are insufficient to make the required annual reimbursement, payments to the developer will continue until the City has reimbursed the amount specified in the agreement.

During the year ended June 30, 2010, the City reimbursed developers the final payment of \$55,935 from road use tax receipts. Resources were transferred from the Special Revenue, Road Use Tax Fund to the Debt Service Fund and the payment of this obligation was charged to the debt service function.

An additional development agreement requires the City to reimburse future tapping fees as connections are made to the system for sanitary sewer extensions and sanitary sewer lift station costs paid by the developer. The maximum to be paid under this development agreement is the lesser of actual costs paid by the developer or \$434,402. The developer agreement is in effect until fully reimbursed. During the year ended June 30, 2010, the City reimbursed the developer \$30,164 from sewer tapping fees. The outstanding principal balance on this agreement at June 30, 2010 is \$327,481.

(10) Economic Development Loans

On January 10, 2006, the City approved an economic development loan agreement with Breeding True Value Hardware. The City loaned \$50,000 to assist in locating a store in the City of Grimes. The loan bears interest at 2% per annum and is to be repaid in monthly installments of \$460 beginning in June 2006 for a period of ten years. As of June 30, 2010, the outstanding loan balance is \$30,783.

On February 12, 2008, the City approved an economic development loan agreement with Performance Display. The City loaned \$50,000 to assist in locating a store in the City of Grimes. The loan bears interest at 4% per annum and is to be repaid in monthly installments of \$2,430 beginning in May 2011 for a period of two years. As of June 30, 2010, the outstanding loan balance is \$50,000.

(11) Education Facility and Community Provider Revenue Note

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

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

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

(12) Construction Commitments

The City has entered into construction contracts totaling approximately \$14,298,987. As of June 30, 2010, costs of \$7,313,851 had been paid on the contracts. The remaining \$6,985,136 will be paid as work on these projects progresses.

(13) Deficit Balance

The Special Revenue, Metro Waste Authority Fund had a deficit balance of \$2,840 at June 30, 2010. The deficit balance was a result of costs incurred but not reimbursed by the grant program. The deficit will be eliminated by a transfer from the General Fund.

Required Supplementary Information

City of Grimes

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

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 4,461,334	-	4,461,334
Delinquent property tax	-	-	-
Tax increment financing	812,070	-	812,070
Other city tax	215,732	-	215,732
Licenses and permits	349,221	-	349,221
Use of money and property	91,697	65	91,762
Intergovernmental	1,594,655	-	1,594,655
Charges for service	247,272	3,140,210	3,387,482
Special assessments	189,244	-	189,244
Miscellaneous	1,067,568	-	1,067,568
Total receipts	9,028,793	3,140,275	12,169,068
Disbursements:			
Public safety	1,267,021	-	1,267,021
Public works	1,421,463	-	1,421,463
Health and social services	-	-	-
Culture and recreation	738,238	-	738,238
Community and economic development	112,859	-	112,859
General government	609,524	-	609,524
Debt service	1,631,804	-	1,631,804
Capital projects	7,150,402	-	7,150,402
Business type activities	-	2,408,156	2,408,156
Total disbursements	12,931,311	2,408,156	15,339,467
Excess (deficiency) of receipts over (under) disbursements	(3,902,518)	732,119	(3,170,399)
Other financing sources (uses), net	10,310,130	(378,000)	9,932,130
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	6,407,612	354,119	6,761,731
Balances beginning of year	3,220,829	2,246,632	5,467,461
Balances end of year	\$ 9,628,441	2,600,751	12,229,192

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
4,323,520	4,382,861	78,473
-	1,000	(1,000)
799,934	799,934	12,136
254,899	232,139	(16,407)
263,925	231,825	117,396
148,600	94,450	(2,688)
562,649	543,117	1,051,538
3,238,600	3,331,300	56,182
100,000	250,000	(60,756)
65,600	29,500	1,038,068
<u>9,757,727</u>	<u>9,896,126</u>	<u>2,272,942</u>
1,427,124	1,353,862	86,841
1,277,500	1,426,000	4,537
-	8,000	8,000
872,011	889,367	151,129
118,000	118,000	5,141
645,600	655,464	45,940
1,234,913	1,747,848	116,044
7,225,000	7,970,000	819,598
2,526,680	2,630,680	222,524
<u>15,326,828</u>	<u>16,799,221</u>	<u>1,459,754</u>
(5,569,101)	(6,903,095)	3,732,696
<u>5,000,000</u>	<u>11,628,293</u>	<u>(1,696,163)</u>
(569,101)	4,725,198	2,036,533
<u>6,983,117</u>	<u>5,467,461</u>	<u>-</u>
<u>6,414,016</u>	<u>10,192,659</u>	<u>2,036,533</u>

City of Grimes

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,472,393. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements did not exceed the amounts budgeted.

Other Supplementary Information

City of Grimes

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

As of and for the year ended June 30, 2010

	Special Revenue			
	Employee Benefits	Emergency	Economic Development Revolving Loan	Metro Waste Authority
Receipts:				
Property tax	\$ 406,096	91,938	-	-
Use of money and property	-	-	5,521	-
Intergovernmental	-	-	-	15,379
Miscellaneous	-	-	-	-
Total receipts	<u>406,096</u>	<u>91,938</u>	<u>5,521</u>	<u>15,379</u>
Disbursements:				
Operating:				
Culture and recreation	-	-	-	8,846
Community and economic development	-	-	10,000	-
Total disbursements	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>8,846</u>
Excess (deficiency) of receipts over (under) disbursements	406,096	91,938	(4,479)	6,533
Other financing uses:				
Operating transfers out	(391,908)	(22,000)	-	-
Net change in cash balances	14,188	69,938	(4,479)	6,533
Cash balances beginning of year	85,583	189,468	142,680	(9,373)
Cash balances end of year	<u>\$ 99,771</u>	<u>259,406</u>	<u>138,201</u>	<u>(2,840)</u>
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	<u>\$ 99,771</u>	<u>259,406</u>	<u>138,201</u>	<u>(2,840)</u>

See accompanying independent auditor's report.

Park and Recreation	Library	Rolow Memorial	Total
-	-	-	498,034
-	-	-	5,521
-	12,440	-	27,819
-	7,320	-	7,320
-	19,760	-	538,694
-	9,411	-	18,257
-	-	-	10,000
-	9,411	-	28,257
-	10,349	-	510,437
-	-	-	(413,908)
-	10,349	-	96,529
6,365	78,092	1,833	494,648
6,365	88,441	1,833	591,177
6,365	88,441	1,833	591,177

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

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Corporate purpose	Jan 1, 2002	4.00-4.70%	\$ 3,200,000
Corporate purpose	Mar 1, 2003	2.00-4.00	2,650,000
Refunding	May 29, 2003	1.30-3.20	1,955,000
Corporate purpose	Aug 1, 2007	4.00-4.10	5,200,000
Corporate purpose	Nov 1, 2009	1.50-5.40	10,000,000
Total			
Revenue bonds:			
Water	Dec 19, 2000	3.53-3.84%	\$ 5,976,000
Sewer	Dec 19, 2000	4.30	5,372,000
Total			
Loan agreements:			
Fire truck	Mar 22, 2005	3.05-4.58%	\$ 498,681
Ambulance	Sep 6, 2005	4.79	119,522
Total			
Lease-purchase agreement:			
Truck and snow plow	Dec 3, 2007	5.35%	101,872

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
1,620,000	-	205,000	1,415,000	73,330
1,770,000	-	165,000	1,605,000	64,387
100,000	-	100,000	-	3,200
4,680,000	-	275,000	4,405,000	188,910
-	10,000,000	105,000	9,895,000	252,505
<u>\$ 8,170,000</u>	<u>10,000,000</u>	<u>850,000</u>	<u>17,320,000</u>	<u>582,332</u>
4,066,000	-	277,000	3,789,000	144,832
3,744,000	-	245,000	3,499,000	160,992
<u>\$ 7,810,000</u>	<u>-</u>	<u>522,000</u>	<u>7,288,000</u>	<u>305,824</u>
298,681	-	50,000	248,681	12,785
53,536	-	17,017	36,519	2,565
<u>\$ 352,217</u>	<u>-</u>	<u>67,017</u>	<u>285,200</u>	<u>15,350</u>
<u>\$ 60,456</u>	<u>-</u>	<u>19,015</u>	<u>41,441</u>	<u>3,547</u>

City of Grimes

Bond Maturities

June 30, 2010

General Obligation Bonds									
Year Ending June 30,	Corporate Purpose Issued Jan 1, 2002		Corporate Purpose Issued Mar 1, 2003		Corporate Purpose Issued Aug 1, 2007		Corporate Purpose Issued Nov 1, 2009		Total
	Interest		Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
2011	4.40%	\$ 210,000	3.30%	\$ 175,000	4.00%	\$ 290,000	2.00%	\$ 580,000	1,255,000
2012	4.40	220,000	3.45	180,000	4.00	300,000	2.50	595,000	1,295,000
2013	4.50	230,000	3.50	185,000	4.00	315,000	2.75	605,000	1,335,000
2014	4.60	240,000	3.60	195,000	4.00	330,000	3.25	620,000	1,385,000
2015	4.70	250,000	3.70	200,000	4.00	340,000	3.75	640,000	1,430,000
2016	4.70	265,000	3.80	215,000	4.00	355,000	4.25	655,000	1,490,000
2017		-	3.90	225,000	4.00	370,000	4.65	680,000	1,275,000
2018		-	4.00	230,000	4.05	385,000	5.00	700,000	1,315,000
2019		-		-	4.05	405,000	5.00	725,000	1,130,000
2020		-		-	4.10	420,000	5.00	755,000	1,175,000
2021		-		-	4.10	440,000	5.15	785,000	1,225,000
2022		-		-	4.10	455,000	5.30	815,000	1,270,000
2023		-		-		-	5.35	850,000	850,000
2024		-		-		-	5.40	890,000	890,000
Total		<u>\$1,415,000</u>		<u>\$1,605,000</u>		<u>\$4,405,000</u>		<u>\$9,895,000</u>	<u>17,320,000</u>

See accompanying independent auditor's report.

Revenue Bonds							
Water				Sewer			
Issued Dec 19, 2000		Issued Dec 19, 2000		Total	Issued Dec 19, 2000		
Interest Rates	Amount	Interest Rates	Amount		Interest Rates	Amount	Total
3.53%	\$ 258,000	3.84%	\$ 29,000	287,000	4.30%	\$ 256,000	543,000
3.53	267,000	3.84	30,000	297,000	4.30	266,000	563,000
3.53	277,000	3.84	32,000	309,000	4.30	278,000	587,000
3.53	286,000	3.84	33,000	319,000	4.30	290,000	609,000
3.53	296,000	3.84	34,000	330,000	4.30	302,000	632,000
3.53	307,000	3.84	35,000	342,000	4.30	315,000	657,000
3.53	318,000	3.84	37,000	355,000	4.30	329,000	684,000
3.53	329,000	3.84	38,000	367,000	4.30	343,000	710,000
3.53	341,000	3.84	40,000	381,000	4.30	358,000	739,000
3.53	353,000	3.84	41,000	394,000	4.30	373,000	767,000
3.53	365,000	3.84	43,000	408,000	4.30	389,000	797,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 3,397,000</u>		<u>\$ 392,000</u>		<u>3,789,000</u>	<u>\$ 3,499,000</u>		<u>7,288,000</u>

City of Grimes

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

For the Last Eight Years

	2010	2009	2008	2007
Receipts:				
Property tax	\$ 4,461,334	3,805,022	3,239,293	2,853,663
Tax increment financing	812,070	881,205	966,128	761,226
Other city tax	215,732	197,810	198,987	112,067
Licenses and permits	349,221	184,396	427,871	425,331
Use of money and property	91,697	282,917	311,866	154,674
Intergovernmental	1,594,655	560,122	582,316	1,073,834
Charges for service	247,272	269,886	252,863	240,383
Special assessments	189,244	60,230	37,859	49,060
Miscellaneous	1,067,568	1,715,428	1,678,958	1,756,010
Total	\$ 9,028,793	7,957,016	7,696,141	7,426,248
Disbursements:				
Operating:				
Public safety	\$ 1,267,021	1,126,024	1,066,345	824,398
Public works	1,421,463	1,660,313	1,045,823	767,595
Health and social services	-	-	-	6,067
Culture and recreation	738,238	778,958	575,730	480,494
Community and economic development	112,859	160,916	141,481	58,799
General government	609,524	577,086	497,589	486,222
Debt service	1,631,804	1,585,293	1,834,602	1,371,799
Capital projects	7,150,402	4,089,799	4,379,280	5,092,309
Total	\$ 12,931,311	9,978,389	9,540,850	9,087,683

See accompanying independent auditor's report.

2006	2005	2004	2003
2,502,802	2,307,906	2,097,510	1,950,430
817,073	670,298	778,617	339,941
68,100	107,372	17,606	73,911
355,345	295,902	199,711	181,354
101,908	123,906	87,329	51,408
890,894	1,378,470	566,563	572,297
414,290	426,201	182,481	118,126
137,137	437,247	-	-
1,428,522	2,669,863	31,724	278,697
6,716,071	8,417,165	3,961,541	3,566,164
1,139,269	1,430,441	671,961	566,187
684,261	771,074	680,222	873,301
33,583	39,000	48,000	42,250
542,363	411,536	354,637	388,090
128,219	57,634	47,633	37,318
499,030	445,296	383,215	338,916
1,413,924	1,092,771	900,224	686,192
3,362,209	4,817,303	2,406,198	2,601,271
7,802,858	9,065,055	5,492,090	5,533,525

Schedule 5

City of Grimes
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2010

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Transportation			
Iowa Department of Transportation			
ARRA - Highway Planning and Construction	20.205	ESL-3125(607)-7A-77	\$ 1,000,000
Highway Planning & Construction	20.205	HDP-044-6(14)--71-77	122,385
		HDP-044-6(15)--71-77	
		HDP-044-6(16)--71-77	<u>1,122,385</u>
U.S. Department of Education			
Iowa Department of Transportation:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	S397A090016A	<u>7,000</u>
Total			<u><u>\$ 1,129,385</u></u>

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

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
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 Grimes, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated September 30, 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 audit, we considered the City of Grimes' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Grimes' internal control over financial reporting. According, we do not express an opinion on the effectiveness of the City of Grimes' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Grimes financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting described in Part II of the accompanying Schedule of Findings and Questioned Costs we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

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

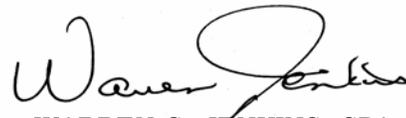
The City of Grimes' responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Grimes' responses and, accordingly, we express no opinion on them.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 30, 2010

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

City of Grimes



OFFICE OF AUDITOR OF STATE

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Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Grimes, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2010. The City of Grimes' major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Grimes' management. Our responsibility is to express an opinion on City of Grimes' compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Grimes' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Grimes' compliance with those requirements.

In our opinion, the City of Grimes complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the City of Grimes is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Grimes' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Grimes' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 30, 2010

City of Grimes

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, which was not considered to be a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 ARRA – Highway Planning and Construction and Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Grimes did not qualify as a low-risk auditee.

City of Grimes

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-10 Credit Cards – The City uses credit cards to purchase items on-line or where purchase orders cannot be completed. One of the credit cards is also a debit card tied to Bankers Trust. The custody of the card is maintained by the individual who also reviews the Bankers Trust account.

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

Response – The City of Grimes has cancelled the debit card.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Grimes

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major program were noted.

City of Grimes

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget – Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted.

IV-B-10 Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-10 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-10 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Tom Armstrong, Mayor, Owner of Rainbow Play Systems	Playground equipment, per bid	\$ 9,574

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

IV-E-10 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-10 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-10 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

IV-H-10 Water and Sewer Revenue Bonds – No instances of non-compliance with the provisions of the revenue bond resolutions were noted.

IV-I-10 Financial Condition – The Special Revenue, Metro Waste Authority Fund had a deficit balance of \$2,840 at June 30, 2010.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return the fund to a sound financial position.

Response – The City of Grimes had originally anticipated the grant program would continue for 2010. Thus, this fund would not have a deficit balance. The program requires the funds to be expended and then reimbursed so they were expended in the expectation of being reimbursed. The program was not continued in lieu of the purchase of new recycling containers for metropolitan cities. The City of Grimes will use General Fund dollars to reimburse this fund.

Conclusion – Response accepted.

City of Grimes

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Melissa J. Knoll-Speer, Senior Auditor
Clinton J. Krapfl, Assistant Auditor
Stephanie A. Sissel, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State