

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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

March 10, 2015

Contact: Andy Nielsen  
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Auditor of State Mary Mosiman today released an audit report on the City of Grimes, Iowa.

The City's receipts totaled \$15,488,428 for the year ended June 30, 2014, a 24.6% decrease from 2013. The receipts included \$6,023,048 in property tax, \$1,174,536 from tax increment financing, \$5,613,558 from charges for service, \$1,058,877 from operating grants, contributions and restricted interest, \$261,666 from capital grants, contributions and restricted interest, \$1,340,359 of revenue bond proceeds and \$16,384 from unrestricted interest on investments.

Disbursements for the year ended June 30, 2014 totaled \$17,277,506, a 22.4% increase from the prior year, and included \$3,442,998 for capital projects, \$2,773,233 for debt service and \$2,280,626 for public safety. Also, disbursements for business type activities totaled \$4,894,429. The increase in disbursements is due primarily to an increase in capital projects because the City started a water improvement project during the year ended June 30, 2014.

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/1420-0719-B00F.pdf>.

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**CITY OF GRIMES**

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

**JUNE 30, 2014**

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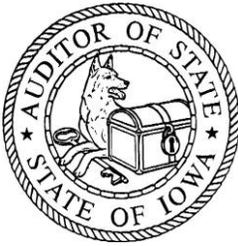
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**City of Grimes**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2014)</b>		
Tom Armstrong	Mayor	Jan 2014
Tami Evans	Mayor Pro tem	Jan 2016
Jill Altringer	Council Member	Jan 2014
Thomas Shatava	Council Member	Jan 2014
Mat Trapper	Council Member	Jan 2014
Craig Patterson	Council Member	Jan 2016
Kelley Brown	City Administrator	Indefinite
Rochelle Williams	City Clerk	Indefinite
Deborah Gallagher	City Treasurer	Indefinite
Tom Henderson	Attorney	Indefinite
<b>(After January 2014)</b>		
Tom Armstrong	Mayor	Jan 2018
Tami Evans	Mayor Pro tem	Jan 2016
Craig Patterson	Council Member	Jan 2016
Jill Altringer	Council Member	Jan 2018
Doug Bickford	Council Member	Jan 2018
Ty Blackford	Council Member	Jan 2018
Kelley Brown	City Administrator	Indefinite
Rochelle Williams	City Clerk	Indefinite
Deborah Gallagher	City 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:

Report on the Financial Statements

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, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2014, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

## Other Matters

### *Supplementary and Other Information*

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 third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by the 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 28 and 46 through 48, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 29, 2014 on our consideration of the City of Grimes' internal control over financial reporting and on 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 in considering the City of Grimes' internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 29, 2014

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2014 FINANCIAL HIGHLIGHTS

- The governmental activities property tax and tax increment financing receipts increased \$273,938 from fiscal year 2013 to fiscal year 2014. This is the result of the regular taxable valuation increase from \$400,461,058 to \$435,768,920. This has been a nice recovery given the downturn in the economy over the last several years. Over the past seven years, the regular taxable valuation has grown from \$219,293,831 to \$435,768,920, resulting in an increase of \$216,475,089, or 98.7%.

Receipts and transfers of the City's governmental activities decreased 40%, or \$6,751,045, from fiscal year 2013 to fiscal year 2014. A \$6,000,000 bond issue in 2013 accounts for most of this decrease. Discounting the bond issue, the lease, grants and other general receipts, the proceeds increased \$296,003, or 3.1%. Fiscal year 2014 continued to be very busy for the City as there was a spike in building permits and plat development as the economy continues to recover. The SE Main Street project has now been completed and the Jordan Well is reaching completion after a major setback when the drill broke off about 1,800 feet below ground. After several attempts to recover the broken drill, that well was abandoned and another drilled in the same general location. Other substantial projects, such as Prairie Sewer project, the Aquifer Storage Recovery (ASR) and the Library, old City Hall and City Hall remodels, were all either completed or are underway in fiscal year 2014.

Although construction has experienced a somewhat roller coaster effect over the last few years, with an increase in fiscal year 2010 and a decrease in fiscal year 2011, building permits started back on the rise in fiscal year 2012 and that trend continued for fiscal years 2013 and 2014. In fiscal year 2011, building permit fees decreased approximately \$93,000. However, they increased \$88,035 in fiscal year 2012, almost making up the difference, and they increased an additional \$14,515 in fiscal year 2013 and \$57,082 in fiscal year 2014. In fiscal year 2011, water tapping fees decreased approximately \$77,000. However, there was an increase of \$114,142 in water tapping fees in fiscal year 2012, a net increase of \$37,142 over the last two years. That trend has decreased slightly from fiscal year 2012 as \$39,709 less was received, largely due to fewer commercial buildings which have tapping fees based on their acreage. Water tapping fees increased \$36,050 in fiscal year 2014. Sewer tapping fees also followed the trend, decreasing approximately \$85,000 in fiscal year 2011 but increasing \$133,756 in fiscal year 2012, a net increase of \$48,756 in the those two years. In fiscal year 2013, there was a dip of \$57,656, which again is the result of less commercial development. Sewer tapping fees were back on the increase for fiscal year 2014, with an increase of \$56,316. Indicative of an increase in 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, showed an even greater rebound from the increase from \$44,690 in fiscal year 2010 to \$54,620 in fiscal year 2011 to \$111,738 in fiscal year 2012, which more than doubled, and \$156,442 in fiscal year 2013 and now a similar increase of \$147,815 for fiscal year 2014. Consistent with this trend, disbursements for engineering and inspection fees also increased after the initial decrease from \$76,125 in fiscal year 2009 to \$70,459 in fiscal year 2010, \$74,791 in fiscal year 2011, \$156,652 in fiscal year 2012, \$153,116 in fiscal year 2013 and a large increase of \$246,093 in fiscal year 2014. Overall, the picture that is being painted remains one of overall growth and healthy development. New plats continue to be on the rebound and going strong. Permitting and construction are on the move and the City of Grimes continues to be on the forefront of development.

Even during the downturn in building overall, commercial valuation continued to increase. Starting in fiscal year 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, \$151,167,840, \$162,868,450, \$154,538,120, \$148,791,500 and now, in fiscal year 2014, \$170,522,215. The County Assessor had cautioned cities in Polk County overall valuations could decrease an average of 4%, with commercial valuation being affected the most. The initial decrease between fiscal year 2011 and fiscal year 2012 was \$8.3 million, a little over the average of 5.1%, and the continued decrease of \$5.7 million reflects an overall decrease of 8.6% over the prior three years. However, in fiscal year 2014 there was a large rebound with an increase of \$21,730,715, or 14.6%. Overall, commercial valuation has increased \$107,649,058, or 171.2%, over the last eleven years. A growing community always needs to maintain a healthy balance of commercial and residential development to help maintain taxes at a consistent level. Currently, commercial valuation accounts for 39.5% of the City's taxable valuation.

Because of the proceeds from a \$6 million bond issue for the SE Main Street Project and the SE 37<sup>th</sup>, SE 19<sup>th</sup>, Autumn Park drainage and Chevalia Bridge projects, the cash balance increased \$6.4 million from June 30, 2012 to June 30, 2013. The cash balance in June 30, 2014 only decreased \$1,789,078 as the remaining proceeds from the \$6 million bond will be expended on the SE 19<sup>th</sup> Street, NW 100<sup>th</sup> and SE 37<sup>th</sup> and the Autumn Park Drainage. In addition, the General Fund, Debt Service Fund and Enterprise Funds also showed increases in ending cash balances. The cash balance was \$15,785,060 at June 30, 2013 and \$13,995,982 at June 30, 2014.

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 and in fiscal year 2010, receipts increased \$31,797, which doesn't include the \$25,603 of I-Jobs Road Use Tax (RUT) money. In fiscal year 2012, \$811,999 was receipted in RUT, \$120,438 of which was loan proceeds for the plow truck, \$31,153 was I-Jobs and \$63,498 was a refund, leaving a balance of \$596,910. In fiscal year 2012, the net proceeds were \$782,142, which was an increase of \$185,232, or 31%. In fiscal year 2013, the net proceeds were \$789,686, which is an increase of \$7,544, or .96%, and in fiscal year 2014 the net proceeds were \$823,393, which is an increase of \$33,707.

When the new Census numbers were certified, the City of Grimes received a larger allocation of RUT funds. All cities in Iowa receive RUT funds. These are distributed equally on a per capita basis. 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. The amount disbursed was \$91.25 per person for fiscal year 2012, \$94.00 per person for fiscal year 2013, \$95.50 per person for fiscal year 2014 and is expected to raise again to \$97.50 per person for fiscal year 2015.

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 three rooms for the combined use of a church or large group meeting room. The Grimes Historical Room was opened three years ago in the 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 City of Grimes residents two hours of free rental for most rooms for special occasions. This new programming and rental programs have accounted for \$750,166 in additional receipts over the prior seven years and \$169,680 in receipts for fiscal year 2014 alone.

Fire and rescue charges increased \$76,190, from \$78,162 to \$154,352, due to an increase in collections from fiscal year 2012 to fiscal year 2013 and an increase in the number of calls. In fiscal year 2014, the charges decreased by \$22,379 to \$131,973. The County library tax subsidy from the Polk County Board of Supervisors increased \$5,463 although it was expected to decrease every year until this program is phased out, so this was a nice surprise.

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 \$1,145,317, or 10.2%, from fiscal year 2013 to fiscal year 2014. The net difference in disbursements, after eliminating the effects of capital projects and debt service, is an actual increase of \$1,347,319, from \$4,819,527 in fiscal year 2013 to \$6,166,846 in fiscal year 2014. Spending for the public safety function increased from \$1,771,301 to \$2,280,626, which was a \$509,325 increase. Part of the increase was due to an increase of \$33,336 in the contract with the Polk County Sheriff. The City of Grimes and Polk County just finished the last year of a three year contract with increases in its contributions to the County so the County isn't contributing as high of a percentage of the disbursements of this contract. The contract was set at \$592,569 annually. The 2012/2013 contract was set for an increase of \$30,103 and the 2013/2014 contract is set for an additional increase of \$31,377. The new contract approved in March calls for an increase in hours as well as an increase in City participation. The first year of the contract will add additional hours at a total cost of \$767,761. The second year will add an additional 40 hours of coverage at a total cost of \$929,144 and the third year will cost \$982,677 as 93.5% of the total cost to the Sheriff's Department will be paid by the City. The City of Grimes also hired an additional full time paramedic/fire fighter in fiscal year 2010, 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 in fiscal year 2010, and an increase in calls resulted in an increase of \$24,348 in fiscal year 2011. In fiscal year 2012, the increase for the fire department accounted for \$273,730, mostly due to the purchase of the new ambulance and a reallocation of worker's compensation fees. In fiscal year 2012, the new Johnston Public Safety Building was opened along NW 62<sup>nd</sup>/SE 19<sup>th</sup> Street. It is strategically located to serve areas in both Johnston and Grimes less readily accessible from the existing building locations. As part of a cooperative effort, the City of Grimes has hired two additional paramedic/firefighters to help staff this building, which accounts for an additional \$79,626 in wages alone. In 2014 the City again added the full increase of the additional two paramedics which was reflected in the \$127,453 increase to the Fire and Rescue Department. Engineering disbursements realized the most drastic increase of \$323,625 due to the increase in building, review fees and development fees. The Building Department also contributed \$4,394 to the Metro Home Improvement Program in fiscal year 2012, which accounted for most of the increase from \$20,288 to \$25,082. Approximately \$25,000 is paid out every two years. However, the 2013-2014 payment was already paid in fiscal year 2013 so the expense remained at about \$25,285. The program opted to increase its programming so the same \$25,496 was expended in 2013-2014 as well. The Metro Home Improvement Program is an amazing owner occupied rehabilitation improvement program with the purpose to preserve the existing affordable housing stock in the participating communities and the City of Grimes is very proud to be a part of it.
- Public works function disbursements increased \$492,297. The major increase between the two years is the purchase of a new snow plow, two staff vehicles and an increase in the amount of overlays and road maintenance completed in fiscal year 2014 out of the Road Use Tax Fund (RUT). As stated, the trend for completing street improvements continued into fiscal year 2014 with approximately \$60,000 of additional funds expended. In fiscal year 2013, the SE 37<sup>th</sup> Street Traffic Signals were installed, the 82<sup>nd</sup>

Ave cooperative overlay with Polk County was completed and the Library parking lot was paved. In fiscal year 2014, overlays were completed on NW 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> Streets. 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 11<sup>th</sup> Street, 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 of 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, \$38,800 in fiscal year 2010, \$38,600 in fiscal year 2011, \$14,812 in fiscal year 2012 and \$14,698 in fiscal year 2013 as part of the City of Grimes' investment. Snow removal was also \$121,000 higher. The storms this last winter were smaller in size but more frequent, which caused a higher usage of salt and sand to treat each storm.

- Culture and recreation function spending increased \$305,947. The cemetery expansion project in fiscal year 2011 added 704 lots to the existing cemetery, as well as paving, a gravel parking lot, seeding and a landscaping amenity, for a total of \$144,139 expended in fiscal year 2011 and \$14,297 in fiscal year 2012. There was not a major difference in expenditures from fiscal year 2013 to fiscal year 2014. The Library increased a little over \$28,580 mostly due to the Library expansion. Most of the other categories decreased from last year in anticipation of the remodeling project and the need to store and move materials. The history of the library remodel was originally the Library had hired an architect and was planning an expansion project with the ultimate build-out estimated at over \$11,000,000. The Library has been evaluated and it has been determined, based on the amount of circulation and the size of the City of Grimes, the Library is significantly undersized. The first phase was to hire an architect who could propose plans to solve the space issue. The next phase was the hiring of consultants to complete a feasibility study of what realistically could be obtained through fund raising efforts before the issue is brought to a vote of the citizens. The feasibility study was completed and it was determined the current economic climate is still a little cautious when it comes to expending money for fundraising efforts such as the library expansion. The Library Board was given the task of developing a plan to remodel the existing space and make it more efficient, which is ultimately what they did. The project was awarded in late 2014 and is now nearly complete. Park and recreation costs actually increased almost \$256,600, mostly due to the Glenstone Park project which was designated to be taken out of the General Fund. Both the Library and the park and recreation staff costs increased slightly, but only due to wage increases and a slight increase in hours due to increased programming and needs of the community. 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 the City completed a HVAC Public Improvement Project in fiscal year 2010 to completely convert the GCC's heating and cooling systems. In addition, the City expended \$46,500 to convert a generator and the electrical system in the GCC to be able to sustain power in the event of a power outage. The GCC is the designated shelter in the event of heat or extreme cold emergencies. As part of the SE Main Street project, the northern parking lot was also resurfaced and the road and parking in front of the building was reconstructed. The City Council recently let a \$855,000 project to grade, irrigate, seed and extend utilities through the North Sports Complex located just west of the recently constructed North Ridge Elementary School. This project is still in process. Unfortunately, it was expected to be seeded and have a season of growth underway. However, due to the extreme drought, both sprinkler systems at the South and North Sports Complexes were shut down in 2013 and then again in 2014 because the shallow wells didn't recover from the drought as anticipated.

- Community and economic development disbursements increased about \$7,400 from a total expenditure of \$122,300 to \$129,683. These are disbursements from the City to the Grimes Chamber and Economic Development Organization. They vary depending upon the needs of the organization. This last year, Hotel/Motel disbursements increased \$3,184 and Des Moines Convention and Visitor's Bureau's payments increased \$1,633, both of which are indicative of increased revenue proceeds by our hotel and increased marketing by our Chamber and Economic Development Corp. Whenever Hotel/Motel taxes increase, the amount disbursed to the Des Moines Convention and Visitors Bureau increases as well. In addition, the contributions to economic development from the General Fund increased by a little over \$2,500. Notable capital improvements for fiscal year 2010 include the completion of the East 1<sup>st</sup> 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, SE 37<sup>th</sup> Street was completed, which included a 5 inch asphalt overlay to extend the life of the road until a complete rework is needed. The Gateway Drive Extension and SE 11<sup>th</sup> Street Signal project were completed and the Edgewood Drive water main extension, which facilitated better water pressure in the Capitol City Area, and the loop of the mains on the east side of Highway 141 were completed. The second concession stand was also completed at the South Sports Complex. The financing of the concession stand was a combination effort between the City of Grimes and the Connor Schnell Family Memorial. The South James Street Project was also completed using ARRA funds. The focus in fiscal year 2012 was the City's biggest road project ever, the almost \$8,000,000 East 1<sup>st</sup> Street (aka Highway 44) road improvement project. It was originally scheduled to be completed in the fall of 2010. However, due to excess rain conditions, less than 50 working days were completed. This project provided 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 now has left turn-lanes and a signal was installed at Main and E 1<sup>st</sup> Street. All in all, this is a beautiful project and has greatly enhanced the transportation system of the City of Grimes. Other projects completed in fiscal years 2012 and 2013 were the Cemetery expansion project and the preliminary work completed to determine if the old City well could be converted into an aquifer storage recovery (ASR) well which could greatly delay the need for a new expansion to our current water plant. This year the results from the preliminary tests showed the old well should be able to be restored and used as an ASR. The casing was lined after a significant delay due to the need to drill through the old pump to install a new one. Testing for the actual recovery of the well was initially planned for this summer. Again, due to the drought, the additional pumping capacity was not available to fill this well so it could be tested. Plans are to continue later this fall. The Outfall Sewer and Creek restoration project was also let in the fall of 2011. This project consisted of the installation of both 48" and 36" sanitary sewer mains needed to increase the flow capacity of the eastern side of the City of Grimes. Creek improvements along Little Beaver Creek were also completed to clean up and grade the banks to improve the drainage along this channel. The Chevalia Bride project was awarded, which added a bridge and trail along the north central part of Grimes. A water main replacement project was also started to replace certain areas identified as having numerous water main breaks over the last several years. Temporary signals were installed at SE James Street and SE 37<sup>th</sup> Street, as well as some additional paving projects. In fiscal 2013-2014, the SE Main Street project was finally completed, the SE 1<sup>st</sup> Street was finally completed, 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> Streets were overlaid, the Prairie sewer was extended to property being developed by R&R Realty Group on SE James Street and SE 37<sup>th</sup> and the Jordan well was nearing completion. In addition, the NW Transportation Corridor project was started and is currently underway. Improvements were made to Glenstone Park and the projects for the remodeling of the Library, the old City Hall and the new City Hall were all started.
- No doubt the water issue was the priority over the last three years. The drought of the summer of 2012 had long-lasting effects on the City's shallow wells. A water mitigation program was approved by the City Council in late 2012 as a proactive measure in the

event the City would have to manage the water usage in the summer of 2013. In addition, the project to build a new Jordan well at over 2,800 feet was awarded in late winter at an approximate cost of \$2,000,000. This new well would not be influenced by drought conditions. As stated above, the ASR testing also was delayed because the City didn't want to use shallow well water for this use. An emergency connection with Xenia was also part of the original plan. However, the heavy rains in the spring of 2013 delayed the need to pursue this option. As the summer of 2013 progressed, the need to enter into Stage 1 of the Water Mitigation plan became apparent because the new water plant could not pump enough to keep up with the demand. To supplement the water supply, the old Jordan well plant was put back into service. In August of 2013 the levels of the shallow wells had dropped to the point the City was put into Stage II of the Water Mitigation plan. In mid-September of 2013, the emergency connection to Xenia was established and the City dropped back into Stage I of the plan. Since that time, the Jordan has been drilled and a temporary pump was installed. The ASR project was delayed so that the old water plant on E1st Street could be used to supplement the water supply if necessary. The spring of 2014 showed the levels in the shallow wells were not recovering as expected with the spring rains which caused some concern. In addition, there were a few days in June and July where the demand exceeded the output of the plant. At that time, a request was sent out to enter into Stage 1 and to exercise prudence when using water. Furthermore, the City went out for Request for Proposals (RFP's) for the operations of the water and wastewater plants. A committee was formed to review the RFP's and interview potential management companies. In the end, PeopleService, which had operated the plants for 18 years, was not chosen and U.S. Water Services Corporation (USW) was chosen and started July 1, 2014.

- General government function disbursements decreased approximately \$88,000 in fiscal year 2011, only increased \$12,388 in fiscal year 2012, increased almost \$121,000 in fiscal year 2013 and increased by over \$32,300 in fiscal year 2014. Most of the original decrease in fiscal year 2011 was due to the large reduction in legal fees from the previous year when an assessment case went to court and a decrease in liability insurance costs to the General Fund. Increases were noted in health insurance premiums, legal fees, utilities, building and grounds and administrative salaries in fiscal year 2012 and one of the major increases in fiscal year 2013, both in terms of disbursements but more importantly in efficiency, was the purchase of IPADS. The Mayor, City Council and key staff were issued IPADS for their use. IPADS are also used for the remaining Boards and Commissions with the goal to become more green and efficient as we move forward. Legal fees also increased over \$25,000 as a result of a bond issue and two refinancings which will more than save the legal fees in reduced interest. In fiscal year 2013, the 2003 bond issue was refinanced and the interest was lowered on the water and wastewater SRF loans. Also of interest, the City Council approved \$25,000 for the production of a commercial to be produced by the Communities of Distinction by Terry Bradshaw. In fiscal year 2014, the main increase was the result of the remodeling of the old and new City Halls, both of which are coming out of the existing balances in the General Fund.
- The City's governmental activities total cash basis net position decreased 18.4%, or \$2,212,119, from June 30, 2013 to June 30, 2014. A majority of this decrease can be accounted for by the \$6 million bond issue approved in December of 2012. Some of those funds have now been expended on capital projects. The City has approved three bond issues in the last six years. A \$5.2 million bond issue was approved in August 2007. \$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 19<sup>th</sup> and Little Beaver Assessment Project, the finalization of the 54<sup>th</sup> Avenue and South 6<sup>th</sup> Street Assessment Projects and the South 11<sup>th</sup> Street Assessment Project. The second bond was a \$10 million bond issue approved in November 2009. The use of the 2010 bond issue was 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 1<sup>st</sup> St Improvements 2009 (\$1,300,000), SE 37<sup>th</sup> Street Overlay (\$625,000), S James Improvements (\$1,700,000), NW 142<sup>nd</sup> and 82<sup>nd</sup> Ave overlay (\$100,000), NW 78<sup>th</sup> overlay (\$50,000), Gateway Dr Extension (\$270,000), 1<sup>st</sup> Street (Highway 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 was disbursed on other infrastructure improvements. Last fall, a \$6.0 million bond was issued to fund the reconstruction of SE Main Street (\$3,100,000), the North James Street overlay (\$385,000), a NW Transportation Study (\$100,000), Alley Improvements (\$75,000), NW 100<sup>th</sup> and SE 37<sup>th</sup> Street Improvements (\$656,000), Autumn Park Drainage Improvements (\$325,000), Chevalia Bridge and Trail work (\$110,000), SE 19<sup>th</sup> Street (\$700,000), NPDES permit (\$115,000) and general road improvements (\$497,615).

- Lastly, a new addition to the Cemetery was completed in 2012-2013. The 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 \$235,406. The Special Revenue, Road Use Tax Fund cash balance decreased \$187,910. The Debt Service Fund cash balance increased \$301,625 because proceeds accumulating from developer assessments are not sufficient for prepayment on the bond at this time and proceeds from the completion of the SE 37<sup>th</sup> Street assessment project. Build America Bond interest is credited to the Debt Service Fund. The Capital Projects Fund balance decreased \$2,594,935, mostly due to the \$6,000,000 bond issue and money being expended on those projects as noted above. The other nonmajor governmental fund cash balances increased \$15,116, mostly due to an increase in employee benefits property tax receipts and conservative spending and the Special Revenue, Tax Increment Financing Fund balance increased \$18,579. 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 Cash Basis Statement of Activities and Net Position. 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 financial 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.

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

Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting 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 Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

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

The Cash Basis Statement of Activities and Net Position 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, the solid waste disposal and the storm water system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and 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.

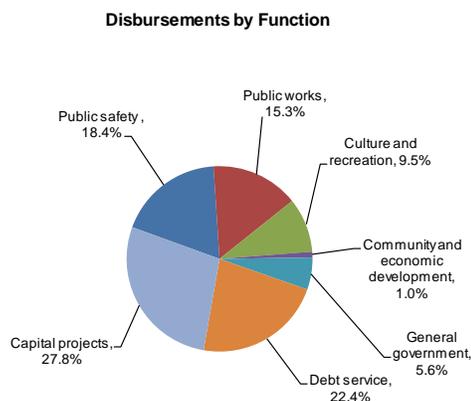
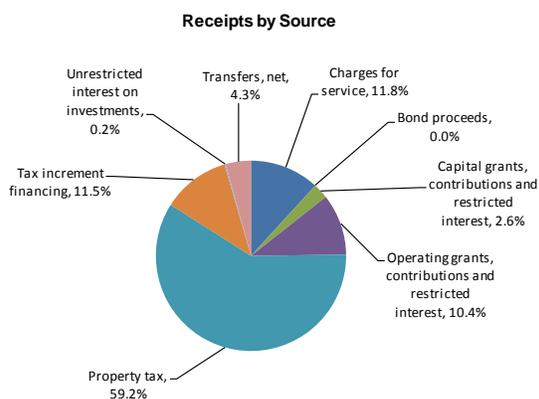
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City, and the Solid Waste and Storm Water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

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The cash balance decreased over this last year, from approximately \$12.020 million to approximately \$9.808 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2014	2013
<b>Receipts and transfers:</b>		
Program receipts:		
Charges for service	\$ 1,196,744	965,251
Operating grants, contributions and restricted interest	1,058,877	1,016,803
Capital grants, contributions and restricted interest	261,666	512,772
General receipts:		
Property tax	6,023,048	5,588,201
Tax increment financing	1,174,536	1,335,445
Unrestricted interest on investments	16,087	16,483
Bond proceeds	-	7,147,048
Transfers, net	440,000	340,000
<b>Total receipts and transfers</b>	<b>10,170,958</b>	<b>16,922,003</b>
<b>Disbursements:</b>		
Public safety	2,280,626	1,771,301
Public works	1,893,484	1,401,187
Culture and recreation	1,175,528	869,581
Community and economic development	129,683	122,300
General government	687,525	655,158
Debt service	2,773,233	3,734,868
Capital projects	3,442,998	2,683,365
<b>Total disbursements</b>	<b>12,383,077</b>	<b>11,237,760</b>
<b>Change in cash basis net position</b>	<b>(2,212,119)</b>	<b>5,684,243</b>
<b>Cash basis net position beginning of year</b>	<b>12,020,587</b>	<b>6,336,344</b>
<b>Cash basis net position end of year</b>	<b>\$ 9,808,468</b>	<b>12,020,587</b>



The City's total receipts and transfers for governmental activities decreased 40%, or \$6,751,045. The City received proceeds from a \$6 million bond issue in fiscal year 2013, which inflated the increase from fiscal year 2012 to fiscal year 2013. The total cost of all programs and services increased 10.2%, or \$1,145,317. 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 \$400,461,058 to \$435,768,920. Regular taxable valuation increased 8.8%, or \$35,307,862. Property tax receipts, not including TIF collections or other city taxes, increased \$434,847. TIF collections decreased \$160,909 as a result of the payoff of some of the developer rebate agreements.

The City's property tax rates for fiscal year 2014 increased ever so slightly, with a tax rate of \$12.91302 per \$1,000 of taxable valuation versus \$12.90968 per \$1,000 of taxable valuation for fiscal year 2013. The rollback percentage increased from 45.589% to 46.909% from fiscal year 2010 to fiscal year 2011, increased again in fiscal year 2012, from 46.909% to 48.5299%, increased in fiscal year 2013 to 50.7518% and is currently 52.8166%. The net result of the slight tax rate increase and the increase in the rollback percentage resulted in a net increase in property tax to the property owner. In fiscal year 2011, the difference to a property owner with a home valued at \$150,000 was an increase of \$24.84 because of the rollback increase of over 1.32% of the value of the property. In fiscal year 2012, the net effect of the rollback increase was \$30.87 for the same property and another \$43.46 in fiscal 2013. However, the estimate given from the Polk County Assessor was most residential property values decreased 4% so the net effect was \$4.12. In fiscal year 2014, the net effect of the rollback increase was \$38.69. The residential rollback percentage is projected to increase again for fiscal year 2015 to 54.4002% and the tax rate has increased slightly to \$12.91374 per \$1,000 of taxable valuation. This nominal increase, 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 \$29.61. Over the course of three years, the tax impact has increased \$72.42. Note, however, the tax levy to property owners is affected by other factors, such as an overall increase or decrease in the valuation of their property or any changes in school, county or other tax levies. It is important to note all of the examples are calculated on the premise the valuation of the home did not decrease. The Polk County Assessor has stated the average valuation in Polk County was reduced by 4% between the 2010 and 2012 valuation years. Over the last five years, the roll back has increased from 45.5893% to 52.8166%, or 7.22%. Looking back over the history of the school tax rates and tax rates over the last five years, the rates have remained constant. For example, the Dallas-Center Grimes (DC-G) tax rate started at \$41.23237 per \$1,000 of taxable valuation in fiscal year 2011, then increased to \$41.23554, \$41.4471, \$42.161 and will be \$42.54681 per \$1,000 of taxable valuation in fiscal year 2015. The DC-G school's portion of the rates has increased from \$17.50189 in fiscal year 2011 to \$17.85093 in fiscal year 2015. Other tax rate increases per \$1,000 of taxable valuation include: County up \$.35, Hospital up \$.19, Regional Transit up \$.29 and Area XI College up \$.06.

The cost of all governmental activities this year was approximately \$12.383 million compared to approximately \$11.237 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 30-31, the amount taxpayers ultimately financed for these activities was only \$9.866 million because \$1,196,744 of the cost was paid by those directly benefiting from the programs. \$1,058,877 was paid by other governments and organizations which subsidized certain programs with operating grants, contributions and restricted interest and capital grants, contributions and restricted interest (developer agreements, etc.) of \$261,666 were received. Overall, the City's governmental cash basis net position decreased from \$12.020 million at June 30, 2013 to \$9.808 million at June 30, 2014, principally due to the timing of the \$6 million bond issue in fiscal year 2012 and more property tax, offset by a decrease in capital grants from IDOT for the Hwy 44 project. The City paid for the remaining "public benefit" portion of governmental activities with tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements, \$273,938 of which was new tax revenue.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 2,210,749	2,090,203
Sewer	1,534,680	1,460,411
Solid waste	293,769	256,690
Storm water	377,616	145,595
General receipts:		
Revenue bond proceeds	1,340,359	-
Unrestricted interest on investments	297	17
Total receipts	<u>5,757,470</u>	<u>3,952,916</u>
Disbursements and transfers:		
Water	3,125,888	1,671,876
Sewer	1,346,815	904,413
Solid waste	371,460	304,196
Storm water	49,466	-
Transfers, net	440,000	340,000
Total disbursements and transfers	<u>5,333,629</u>	<u>3,220,485</u>
Change in cash basis net position	423,841	732,431
Cash basis net position beginning of year	3,764,473	3,032,042
Cash basis net position end of year	<u>\$ 4,188,314</u>	<u>3,764,473</u>

Total business type activities receipts for fiscal year 2014 were approximately \$5.757 million compared to approximately \$3.953 million last year. This increase was due primarily to an overall increase in users for every utility, as well as the new storm water utility fee passed in January 2013 and first billed in February 2013.

The cash balance at June 30, 2014 increased \$423,041 over the prior year. Receipts increased 45.6% and disbursements and transfers increased 65.6%. Thus, the overall effect of the prior year's increase in net position of \$732,431 totaled an overall increase of \$1,156,272 over the past two years. This increase resulted from the increase in water receipts, an increase in sewer receipts and increases in water and sewer tapping fees from new construction, as well as the new storm water utility fee. Total disbursements and net transfers for the fiscal year increased from approximately \$3.220 million last year to approximately \$5.334 million for fiscal year 2014. This was an increase of \$2,113,144, or 65.6%.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Grimes completed the year, its governmental funds reported a combined fund balance of \$9,808,468, a decrease of \$2,212,119 from last year's total of \$12,020,587. 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 \$235,406 over the prior year to \$4,437,698. This increase was due to the increase in total valuation, resulting in an increase in property tax received as well as large increases in licensing and permitting. General Fund receipts increased \$557,885 and disbursements increased \$921,148. 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 increased \$8,683 during fiscal year 2010 to \$45,140, \$306,213 during fiscal year 2011 to \$351,353, decreased \$83,960 to \$267,393 in fiscal year 2012, increased \$370,746 in fiscal year 2013 and decreased \$187,910 in fiscal year 2014 to an ending balance of \$450,229. This original decrease was due largely to the purchase of the old elevator building and property along West 1<sup>st</sup> Street (Highway 44) which was needed for right-of-way for the expansion of West 1<sup>st</sup> Street to a 3-lane roadway and for the cleanup and demolition of this entire area. The ending balance of \$638,139 at June 30, 2013 was held to facilitate road construction projects in fiscal year 2014. 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 (TIF) Fund 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 issued bonds and used TIF financing to pay for the sewer, water, road improvements and the signals at 54<sup>th</sup> Street 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 the City 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 52.8166% for fiscal year 2014. The City is currently certifying TIF debt for the payment of the utilities extended in the example above, transportation, trail system planned improvements, Sports Complex North, signals at Highway 141 and NW 62<sup>nd</sup>/SE 19<sup>th</sup> Street, the fire station addition, Sports Complex and the paving of James Street. The area east of Highway 141 South and south of South 11<sup>th</sup> Street was amended into the urban renewal area so TIF financing could be used for the signals at Highway 141 and NW 62<sup>nd</sup>/SE 19<sup>th</sup> Street and for the South 11<sup>th</sup> Street 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 tax 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. TIF has most recently been used to offset tax abatement to give warehousing structures in Grimes the same advantage as they would have in neighboring cities with slightly lower tax rates.

At the end of the fiscal year, the TIF cash balance was \$44,794, an increase of \$18,579 from the previous year. The City only certifies enough TIF receipts to pay off the current year's portion of the debt each year. If the resulting taxes generated from the increment in valuation are more than needed to make the bond payments, the City, the County and the School District receive the benefit of the tax revenue. This year, the City certified \$1,155,957 as opposed to \$1,332,000 in fiscal year 2013.

- The Debt Service Fund cash balance increased to \$1,375,063 during fiscal year 2010, increased to \$1,863,361 during fiscal year 2011, increased to \$2,089,632 during fiscal year 2012, increased \$173,340 to \$2,262,972 during fiscal year 2013 and increased \$301,625 to \$2,564,597 during fiscal year 2014. The increases are

due to the receipt of developer reimbursement proceeds from the South 19<sup>th</sup> Street and Little Beaver assessment projects, as well as the 54<sup>th</sup> Ave. Road assessment project, the South 6<sup>th</sup> Street assessment project, the SE 37<sup>th</sup> Street assessment project and the East 1<sup>st</sup> Street assessment project. The developer reimbursement proceeds will be held until the bonds can be called.

- The Capital Projects Fund cash balance decreased from \$4,769,777 to \$2,879,773 in fiscal year 2011, decreased \$3,019,270 to \$(139,479) in fiscal year 2012, increased \$4,581,260 to \$4,441,763 in fiscal year 2013 and now has decreased \$2,594,935 in fiscal year 2014. The negative balance in the Capital Projects Fund at June 30, 2012 was reimbursed with additional TIF funds for the North Sports Complex and the passage of the \$6,000,000 bond issue in the fall of 2012 which subsequently has paid for the SE Main Street, the North James Street overlay, a NW Transportation Stud which is still in process, Alley Improvements, NW 100<sup>th</sup> and SE 37<sup>th</sup> Street improvements, which is also still in process, along with the Autumn Park Drainage improvements, Chevalia Bridge and Trail work, SE 19<sup>th</sup> Street which is also still in process, NPDES permit and general road improvements.

### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- In fiscal year 2012, the Enterprise, Water Fund cash balance increased \$255,294 to \$1,445,347 as the population continued to increase. In addition, the balance allowed \$200,000 to be transferred to the Capital Projects Fund. In fiscal year 2013, the cash balance increased \$218,344 to \$1,663,691. In fiscal year 2014, the cash balance increased \$224,717 to an ending balance of \$1,888,408. Water operations receipts account for this increase. In addition, the drought accounted for higher consumption as the new sod for all of the new construction warranted constant watering. In fiscal year 2014, water operating receipts increased \$120,546. There was also an increase in disbursements of \$1,454,812 from fiscal year 2013 to fiscal year 2014. In addition, a State Revolving Fund Loan reimbursed the water capital account for drilling the Jordan well.
- In fiscal year 2012, the Enterprise, Sewer Fund cash balance increased \$292,448 from \$1,287,126 to \$1,579,574, increased \$355,998 in fiscal year 2013 and decreased \$12,135 in fiscal year 2014. Receipts increased \$74,269 and disbursements increased \$442,402. This balance also allowed for \$200,000 to be transferred to the Capital Projects Fund. Again, similar to the Water Fund, Sewer Fund receipts increased due to the increase in housing and new users.
- Although these are nonmajor funds, the Solid Waste Fund continues to be subsidized using emergency levy tax dollars. Also of note, the City Council enacted the storm water utility fee in January 2014. \$293,769 was received in fiscal year 2014 for solid waste and \$377,616 for storm water.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. This amendment was approved on March 11, 2014. This amendment provided for an overall increase in receipts and other financing sources of \$1,909,662. Specifically an increase in property tax, just because of the timing, of \$4,862, delinquent property tax of \$4,000, an increase in use of money and property of \$4,400, intergovernmental of \$2,000, charges for service was one of the main reasons for the amendment with an increase of \$901,200 because of the increase in usage. Miscellaneous receipts decreased \$6,800 and other financing sources increased \$1,000,000 because of the proceeds from the SRF Loan for the new Jordan Well. All of the remaining programs were estimated to remain the same. The budget amendment also provided for an increase in disbursements of \$1,607,786. Public safety function disbursements increased \$254,000, mainly due to the increase in engineering costs, both internal and those billed for reimbursement by developers due to the increase in building and permits. Public works function disbursements

decreased \$30,000. Culture and recreation function disbursements increased \$504,959 to account for increased programming and the improvements at the Library and Glenstone Park. Debt service function disbursements decreased \$10,562. Lastly, all three business type activities, water, sewer and solid waste, increased \$545,000. Water and sewer increased because of increases in sales tax and production costs and the addition was made for the new storm water utility. The City traditionally amends the budget in the last quarter 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.

When all was said and done and the final numbers were calculated as of June 30, 2014, 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 \$590,421 under budget. Parks and recreation and library were under budget because of the timing of the library remodel and the development of Glenstone Park. In 2009, there was a substantial investment in grub mitigation. That continues to be an aspect of the park system which is monitored. Trees are also being monitored for the Emerald Ash Borer. This could have a large impact on the budget to mitigate the damage and replant with new trees. 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 Library was under budget as it didn't spend all of the amounts budgeted for architectural fees. After a feasibility study was completed to determine if the public would support a \$4 million bond issue, it was determined the monetary support was available. Therefore, the architectural fees weren't needed. The Library Board and the City Council have subsequently decided to move forward with a remodel which would make the existing space more efficient and able to provide more services to the public. The public safety function disbursed \$121,015 less than the final budgeted amount, mainly due to conservative spending by both the Fire and Rescue Departments and less engineering fees in the Building Department, which were more than offset by an increase for the purchase of an ambulance. In addition, one shared paramedic/fire fighter was budgeted but hired later than originally projected, resulting in a significant decrease in personnel costs for fiscal year 2014. The public works function was also under budget by \$51,729. Wages alone accounted for over \$45,292 of this savings, mainly due to savings in wages because of the large decrease in overtime as well as three of the more tenured employees retired and were replaced. Snow removal continues to be one of those moving targets when planning for personnel costs for the Iowa winters. The Special Revenue, Road Use Tax Fund also disbursed \$1,939 over what was budgeted due to the timing of some of the street projects which were able to be completed in fiscal year 2014. Road use tax funds also account for some of the contracted snow removal costs and smaller street projects. The balances are carried over from year to year to facilitate larger projects when necessary. The general government function was \$344,150 less than budgeted due to the timing of the old City Hall and new City Hall remodel projects. The capital projects function typically is 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 was over \$4.082 million less than budgeted. This was mainly due to the timing of the SE 19<sup>th</sup> Street Project, the Autumn Park Drainage project which hasn't been designed yet and the delay in the ASR. Water, roads, the GCC, parks and sewer all experienced major variances. The business type activities function, i.e., water, sewer and solid waste, was \$989,413 under budget. The Water Department accounted for \$151,807 of this variance. Lime, liability insurance, office supplies, tests and sales tax were over budget and plant repair, vehicles and equipment, mains and hydrants, utilities, miscellaneous, tools and contracts all came in lower than originally estimated. Plant repair and chemicals were \$64,822 under budget as the new Jordan well was being constructed and was the main emphasis for this year. The sewer utility accounted for only \$3,563 of this variance. Sewer tapping fees also came in \$63,629 over budget due to a proposed developer agreement payoff which was paid off. Solid waste was also under budget by \$28,540. The newly formed storm water utility fee was also \$165,534 under budget. These savings will be combined in fiscal year 2015 to either facilitate larger projects or pay off more of the storm water capital improvement debt. Overall, spending was \$4,235,554 less than the final budgeted amounts.

The budget to year-end receipts was also reviewed and the results 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 payment of property tax. This accounts for the difference of \$27,613. Obviously, if someone doesn't pay their property tax, 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 \$37,062 because of reductions in the mobile home tax and utility replacement tax. Licenses and permits were over budget by \$104,858 as more permits were issued in fiscal year 2014. Use of money and property was over the amount budgeted by \$9,942. Intergovernmental receipts were \$311,090 more than budgeted due to \$27,693 in road use tax funds, \$108,229 in Federal stimulus and IDOT reimbursements for the Highway 44 Project, \$5,472 in Library tax from Polk County and \$40,014 in fire and \$129,681 in Build America Bond interest received from the U.S. Treasury. Charges for service were also under by \$393,675. Water fees were overestimated and came in \$242,953 under what was projected. Sewer and solid waste collections were all higher than originally estimated due to an increase in usage. Fire and rescue received \$41,609 less in fees than anticipated as the number of ambulance and fire calls seem to fluctuate from year to year, but less may be recovered depending on the timing of the payments and the economic status of those who received care. 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. Building development fees decreased \$95,742 more than originally projected as it is hard to estimate the amount of engineering fees that will be involved with the new plats and housing starts. Again, housing is higher than originally anticipated. Lastly, parks came in over its receipt expectations by about \$29,680. Programming continues to increase as more and more people are taking advantage of the services the City is offering but, as some kids get older, they are more involved in school activities. Special assessments were \$53,437 more 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 were \$59,347 more than budgeted. This was received from liquor payments, miscellaneous sales, refunds, cemetery lot sales, ticket fines, state assistance, fire auxiliary and library fees. Overall, the City received \$150,129 more than budgeted.

The City exceeded the amounts budgeted in the business type activities function for the year ended June 30, 2014 due to capital project costs not budgeted.

**DEBT ADMINISTRATION**

At June 30, 2014, the City had approximately \$24.163 million of bonds and other long-term debt outstanding compared to approximately \$25.265 million at June 30, 2013, as shown below. In addition, approximately \$21.358 million was outstanding at June 30, 2012, approximately \$23.070 million was outstanding at June 30, 2011 and approximately \$24.934 million was outstanding at June 30, 2010.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2014	2013
General obligation bonds	\$ 17,805	19,405
Revenue bonds	6,238	5,595
Loan agreements	49	99
Lease-purchase agreements	71	166
Total	\$ 24,163	25,265

Debt increased in fiscal year 2010 because of the \$10,000,000 bond issue in November 2010. As stated above, this bond was issued to finance the following projects: 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 1<sup>st</sup> Street Improvements 2009 (\$1,300,000), SE 37<sup>th</sup> Overlay (\$625,000), S James Improvements (\$1,700,000), NW 142<sup>nd</sup> and 82 Ave overlay (\$100,000), NW 78<sup>th</sup> overlay (\$50,000), Gateway Dr. Extension (\$270,000), 1<sup>st</sup> Street (Highway 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 was expended on other infrastructure improvements. In addition, a \$347,310 lease was executed for the purchase of a street sweeper and an end loader in fiscal year 2013. The SRF loans for the water and waste water plants were also refinanced due to low interest rates. Other than the increase for the bond issue in fiscal year 2011 and the lease, the outstanding debt has decreased because the required payments were made. Prior year debt includes a \$5.3 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 54<sup>th</sup> Avenue, South 6<sup>th</sup> Street and South 11<sup>th</sup> Street road improvement projects. In August of 2011, the City initiated the procedures for refinancing the \$1.2 million of debt remaining from the 2002 \$3.2 million bond issue. This refinancing saved the City \$73,957 in interest. In March 2013, the City initiated proceedings to refinance the remaining \$1,065,000 of the 2003 \$2.65 million bond issue. This refinancing saved the City \$77,530 in interest. The City also refinanced the State Revolving Loan funds for the Water and Sewer Plants twice in the last few years to save interest. In the fall of 2012, a \$6.0 million bond was issued to fund the reconstruction of SE Main Street (\$3,100,000), the North James Street overlay (\$385,000), a NW Transportation Study (\$100,000), Alley Improvements (\$75,000), NW 100<sup>th</sup> and SE 37<sup>th</sup> Street Improvements (\$656,000), Autumn Park Drainage Improvements (\$325,000), Chevalia Bridge and Trail work (\$110,000), SE 19<sup>th</sup> Street (\$700,000), NPDES permit (\$115,000) and general road improvements (\$497,615). The City also obtained a new SRF loan for the construction of the new Jordan well in the amount of \$2,432,000. 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 was approximately \$1,175,276 at June 30, 2012, \$1,332,000 at June 30, 2013 and \$1,155,957 at June 30, 2014.

The City's bond rating was last reevaluated in fiscal year 2013. The end result was continued great news for the City consistent with the original upgrade back in 2012 when the City was upgraded from A1 to Aa3. As reported by Moody's, "Moody's maintains the Aa3 rating on the City's outstanding general obligation debt, affecting \$21.0 million post sale."

Moody's assigns Aa3 rating to City of Grimes' (IA) General Obligation Refunding Bonds, Series 2014.

Aa3 rating affects \$21.0 million of outstanding GO debt.

Moody's Investors Service has assigned an Aa3 rating to the City of Grimes' (IA) General Obligation Refunding Bonds, Series 2013. Moody's maintains the Aa3 rating on the City's outstanding general obligation debt, affecting \$21.0 million post-sale.

#### SUMMARY RATING RATIONALE

The bonds are secured by the City's unlimited general obligation pledge. Proceeds of the bonds will be used to current refund the City's outstanding General Obligation Corporate Purpose Bonds, dated March 1, 2003 for expected interest savings. Assignment of the Aa3 rating reflects the City's modestly-sized but growing tax base with above average income levels, strong financial position and above average debt burden.

## STRENGTHS

- Strong financial position characterized by conservative budgeting practices and ample reserves
- Growing tax base in the Des Moines (General Obligation rated Aa1) metropolitan area

## CHALLENGES

- Loss of largest employer, although growth in other employers mitigates the impact
- Limited flexibility to increase the property tax rate
- Above average debt burden

## DETAILED CREDIT DISCUSSION

### GROWTH TO CONTINUE IN MODESTLY-SIZED DES MOINES AREA TAX BASE

The City's tax base is expected to continue to grow given a favorable location in the Des Moines metropolitan area, healthy local economy, and the presence of substantial land available for development. Grimes is located approximately 10 miles northwest of the Iowa (long term issuer rated Aaa with stable outlook) state capital of Des Moines with easy access to the Interstate 80 and Interstate 35 transportation corridors. The City's modestly-sized \$742 million tax base is primarily residential and has grown at a rapid average annual rate of 7.2% over the past five years. The City's population increased 7.2% to 8,246 between 2000 and 2010, mirroring similarly rapid population increases in recent decades. The City is bordered to the north and west by unincorporated land available for annexation. The City last annexed land in 2007 when it annexed 974 vacant acres in Dallas County (GO rated Aa2) all of which remain available for development.

The City has continued to exhibit strong growth throughout the economic downturn and management reports that development within both the residential and commercial/industrial sectors has accelerated recently. Recently, 218 residential lots were approved for development and a number of additional residential projected expected to come on line in the near term. Additionally, a developer is in the early stages of planning a sizeable 400 acre mixed use and residential development project that could substantially increase the City's population if the project goes forward. Recent commercial/industrial development includes a new Fed Ex (senior unsecured rated Baa1/stable outlook) facility that is expected to employ nearly 100. Notably, the City's largest employer, Gillotti Company, a construction firm that employed approximately 300, recently went out of business. Management reports that a new construction firm has taken over Gillotti's former office space. We believe the Gillotti closure does not pose a significant challenge given residents' access to other employment opportunities throughout the Des Moines metro area. Polk County's (GO rated Aaa/stable outlook) 4.8% unemployment rate in October 2012 approximates the state rate (4.6%) and remains well below the national rate (7.5%) for the same period. Resident income levels exceed state and national medians, with median family income representing 137.3% and 134.7% of the state and national medians, respectively, according to 2006 to 2010 estimates from the American Community Survey.

### CONSECUTIVE SURPLUSES RESULTING IN AMPLE GENERAL FUND RESERVES

Grimes' financial position is expected to remain strong due to the City's conservative budgeting practices and a pattern of growth in General Fund reserves. In fiscal 2012, the City's sixth consecutive surplus brought its General Fund cash-basis balance to \$3.7 million, or a substantial 78.4% of receipts. The City has a history of budgeting conservatively and yielding more favorable results. In fiscal 2012, positive revenue variances in property taxes and development-related receipts drove a \$235,000 surplus in the General Fund. The County had cautioned cities in Polk County to expect an average decrease of 4% in their valuations. As a result the City budgeted and spent conservatively, and further benefitted from continued tax base growth, despite the projection for a decline. For fiscal 2013, the City has again budgeted for a modest deficit, but expects balanced to modest surplus results. Going forward, while City Council has expressed an intent to no longer grow General Fund reserves, no specific plans have been implemented to spend down reserves.

Property taxes are the City's primary revenue source and account for approximately 70% of General Fund receipts. Public safety comprises the largest portion of General Fund expenditures, accounting for approximately one third of disbursements. Grimes contracts with Polk County for law enforcement services. Grimes levies the full state-imposed property tax cap of \$8.10 per \$1,000 of assessed valuation and fully utilizes the \$.27 Emergency Levy. The City also utilizes separate levies for debt service and employee benefits, although management notes that the City has approximately \$150,000 of flexibility under the employee benefits levy. While the City has limited flexibility to increase property tax rates, management notes that the City Council may elect to increase or broaden the scope of its franchise fee, which currently stands at 1% for cable providers.

#### ABOVE AVERAGE DEBT BURDEN WITH NEAR-TERM BORROWING PLANS

Grimes' debt burden is expected to remain above average but manageable given the City's stable tax base and strong financial management practices. Direct debt represents an above average 3% of full value while overall debt, primarily consisting of the City's share of Polk County and Dallas Center-Grimes Community School District (GO rated Aa3/positive outlook) debt, represents 5.6% of full value. Amortization is above average with 79.3% of principal retired within 10 years. The City does not have immediate plans to issue debt in the next two years. All of the City's debt is fixed rate and the City is not party to any derivative or swap agreements.

#### WHAT COULD CHANGE THE RATING - UP

- Substantial tax base expansion
- Maintenance of ample fund balance and liquidity

#### WHAT COULD CHANGE THE RATING - DOWN

- Material declines in fund balance and liquidity to below similarly rated entities
- Deterioration of the City's tax base or demographic profile
- Material increases in debt burden

#### KEY STATISTICS

2010 Census population: 8,246 (61.7% increase since 2000)  
2012 Full valuation: \$742 million  
2006-2010 Per capita income: \$28,789 (113.6% of IA; 105.3% of U.S.)  
2006-2010 Median family income: \$84,842 (137.3% of IA; 134.7% of U.S.)  
Polk County unemployment (October 2012): 4.8%  
Fiscal 2012 General Fund balance (cash basis): \$3.7 million (78.4% of revenues)  
Debt burden: 5.6% (3.0% direct)  
Outstanding GO debt: \$21.0 million

The City's outstanding general obligation debt, including annually appropriated rebate agreements of \$1,523,015, total approximately \$19.45 million and is significantly below its constitutional debt limit of approximately \$37.081 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 2015 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 receipts have been used to subsidize this Enterprise Fund. As well, the City Council has enacted a storm water utility fee and will now need to prioritize the maintenance and repairs needed to the water ways throughout Grimes. In addition, this fee will be used to pay for the NPDES Phase II Stormwater Regulations. 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 in fiscal year 2010, \$622,875,532 in fiscal year 2011, \$653,675,782 in fiscal year 2012, \$671,363,180 in fiscal year 2013, \$704,953,038 in fiscal year 2014 and is now \$747,302,773. This is an increase of 55.2% over fiscal year 2009, 36.3%, or \$199,218,502, over fiscal year 2010, 19.9%, or \$124,427,241, over fiscal year 2011, 14.3%, or \$93,626,991, over fiscal year 2012, 11.3%, or \$75,939,593, over fiscal year 2013 and \$43,349,735, or 6%, over fiscal year 2014. The actual step increases over the years are as follows: 2009-2010, 13.8%, 2010-2011, 13.6%, 2011-2012, 4.9%, 2012-2013, 2.7%, 2013-2014, 5% and 2014-2015, 6%. General property tax receipts are projected to increase \$320,294. 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. In fiscal year 2011, there were 98 single family permits valued at \$13,735,402, 7 multi-family permits valued at \$725,322 and 6 commercial permits valued at \$13,319,979. In fiscal year 2012, there were 8 multi-family permits valued at \$3,879,960, 4 commercial permits valued at \$9,191,831 and 115 single family permits valued at \$16,720,225. In fiscal year 2013, there were 143 single family permits valued at \$22,581,235, 11 multi-family permits valued at \$7,096,000 and 21 commercial permits valued at \$5,335,157 and in fiscal year 2014, there were 169 single family permits valued at \$31,774,199, 12 multi-family valued at \$6,492,600 and 17 commercial permits valued at \$20,417,560. Historically the percentage increases of the value of the single family permits is as follows: 2005 to 2006, 8% increase, 2006 to 2007, 34% decrease, 2007 to 2008, 13% increase, 2008 to 2009, 25% decrease, 2009 to 2010, 147% increase, 2010 to 2011, 57% decrease, 2011 to 2012, 21% increase, 2012 to 2013, 35% increase and a 40% increase in single family permit valuations from 2013 to 2014. Consistent with all of the budget variances due to the increase in building, these numbers reaffirm the increases. It should be noted that in 2012 most of the existing plats are being built out, but there were a few significant actions taken by developers. First was Autumn park rezone which rezoned 97.8 acres from R-2 60, R-2 70, R-3 to R-4 (Planned Residential Development District) and 14.8 acres remained C-2 (General and Highway Service Commercial District). The final plat 2 Chevalia Trace Plat 2 consists of 8.1 acres with 29 single family lots and Grimes Lots, LLC. Autumn Park Plat 1 consists of 17.31 acres with 43 lots. In addition, economic incentives have been provided for Hubbell and ServPro. A few more are being negotiated to facilitate further economic growth. In fiscal year 2013, however, there was a spur in platting and the following were approved: Beaverbrooke West Plat 9; 129 lots, Bridge Creek Plat 4, 1 lot, Silkwood Meadows; 30 lots, Putney Plat, 1 lot, Meadowlark South P2, 20 lots, Autumn Park P2; 39 lots, Autumn Park P2; 57 lots, Chevalia Valley Lot 43 PUD; 52 units, and North Point Outlot Y; 22 lots. Fiscal Year 2014 topped all previous years with the approval of Brook Ridge Plat 1; 29 SF lots, Beaverbrooke Plat 9; 73 SF lots, Caymus Park Plat 1; 143 TH units, Prairie Business Park; 120,000 SF warehouse, Kennybrook Townhomes; 41 units, North Park Estates; 22 SF lots, Bridge Creek Plat 3, Silkwood Meadows, Meadowlark South Plats 3 and 4, Premier Concrete Site Plan, North Ridge School addition, Harris Trucking, Burger King, Canoyer Greenhouse, Autumn Park Plat 3; 57 SF lots, Grimes Business Park 3, Glenstone Trail Plat 8; 14 TH, Metro Waste transfer station, Meadowlark South Plat 5; 29 SF lots, Clean Flooring Site Plan, Heritage Plat 1; 18 SF lots, Glenstone Meadows; 44 TH, Grimes Crossing Senior Housing; 31 units, Bridge Creek Plat 5, Brook Ridge West; 30 SF lots and Autumn Park Plat 4; 26 SF lots.

In addition, the economy is a factor. This is from the U.S. Census Bureau from 2010. We do know our population increased 61.7% to 8,246! This makes us the 8<sup>th</sup> fastest growing city in the State of Iowa.

<b>Characteristics -</b>	<b>Number</b>	<b>Percent</b>	<b>U.S.</b>
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%

<b>Housing Characteristics</b>	<b>Number</b>	<b>Percent</b>	<b>U.S.</b>
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 ASR (aquifer storage recovery) well project is still underway. This project, if successful, could provide the needed water storage to delay potential improvements to the water plant by 3-5 years. The premise of this project is the water plant can pump extra water into this well for storage during those times of year when water consumption is lower than the capacity of the plant. During times when the plant is at capacity, water can be pumped from the storage well to provide additional water into the system so increasing the capacity of the plant can be delayed. This also provides additional redundancy and additional sources in the event the supply from the wells is compromised for a short period of time. This project had to be put on hold during the drought because the City didn't want to compromise any of the shallow wells by pumping the water needed to test the ASR. This project is expected to resume this fall. A new 2,800 foot Jordan Well was also let at a cost of a little over \$2 million. This well is not subject to the drought conditions. This well is currently being constructed at the water plant located off NE James Street. The \$8.0 million project for the widening and complete replacement of East/West 1<sup>st</sup> Street (Highway 44) started in May 2010 experienced unexpected delays with above average rainfalls. The eastern half of this improvement project was delayed and was completed by late November of 2012. The South James Street project was completed. The NE Edgewood Drive water main project, the Gateway Drive extension and the signals at SE 11<sup>th</sup> Street are now completed. The Outfall Trunk sewer project was completed to meet the capacity requirements in the eastern sewer extending from the wastewater plant along Taylor Estates and the water way improvements needed to increase the capacity of the creek for large storm events. Over the last four 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 1<sup>st</sup> St Improvements 2009, SE 37<sup>th</sup> Overlay, NW 142<sup>nd</sup> and 82<sup>nd</sup> Ave overlay, NW 78<sup>th</sup> overlay, water tower painting, QT Improvements, the South 19<sup>th</sup> Street Extension/Little Beaver Assessment, Grimes Mapping, Phase II Storm Water Permit, Grimes Storm Sewer Mapping, Xenia Water Agreement, South 6<sup>th</sup> 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 also completed a project adding 704 new spaces to the existing Sunnyhill Cemetery. The project also included the extension of the existing roads, a berm and landscaping, as well as a new parking lot on the south side of the area. The green space to the south of the existing cemetery will be used for soccer and flag football practices. In fiscal year 2011, the City Council

let an \$855,000 project for the grading, seeding and irrigation of the new North Sports Complex. This will add more softball and soccer fields to help alleviate an already overloaded South Sports Complex and to keep up with the rapid growth of one of the fastest growing cities in the State of Iowa. Unfortunately, this project was delayed last year and again this year due to the need to stop irrigation during the drought. Note the first project stated on this long list would have provided the needed additional water so conservation would not have been needed. The SE Main Street project was completed and was a result of the \$6,000,000 bond issue referenced above. That provided for the construction of the road and utilities on SE Main. In the fall of 2012, the Chevalia Bridge project was awarded that added a bridge and trail along the north central part of Grimes. A water main replacement project was completed in 2013 as well to replace certain areas identified as having numerous water main breaks over the last several years. Temporary signals were installed at SE James Street and SE 37<sup>th</sup> as well as some additional paving projects. In fiscal year 2014, the ASR continues to be underway, SE 19<sup>th</sup> Street is underway and will be completed with seeding in the spring of 2015. Sewer was extended to the R&R development on the southeast corner of South James Street and SE 37<sup>th</sup> to provide service to a 120,000 SF warehouse development which will ultimately build out to over 250,000 SF. Improvements were made to the Glenstone Park and improvements were just approved for the North Pointe Park project. The Northwest Transportation study was also started that will take a holistic look at the western transportation network. Extension remodels were also underway for the Library, old City Hall and new City Hall buildings.

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 2010, the City Council extended a ten year non-annexation agreement with the City of Urbandale. This agreement was basically the extension of the previous agreement. However, the westerly line was extended one mile due west. In the next few years, the non-annexation agreements with the cities of Johnston, 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 2015. Amounts available for appropriation in the operating budget for governmental activities are \$9.023 million, increasing from the final fiscal year 2014 actual operating receipts for governmental activities of \$8.554 million. The decrease is primarily due to property tax (resulting from the increase in total valuations) increase of \$341,450. \$24,864 less in property tax for debt service was certified because the 2003 bond issue refinancing lowered the bond payments. Also, \$125,129 more in tax increment financing was certified than was received in fiscal year 2014. Licenses and permits are budgeted the same as last year's budget, but \$104,858 more than what was received. Given the current trend in permits, the reestimated budget will be even higher. The City Council also levied \$129,500 more for employee benefits to mitigate the overall tax impact on the General Fund and keep the tax rate the same. Water receipts are budgeted higher than actual fiscal year 2014 receipts by \$545,251. Sewer is budgeted \$85,520 higher than the actual receipts in fiscal year 2014 and it's apparent this may be greatly underestimated as well. All of these numbers will be consistently monitored and amended if necessary. 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 increase \$896,176 from actual fiscal year disbursements of \$6.166 million to \$7.063 million, or 14.5%. Some of the larger increases are accounted for in the Fire & Rescue Department where the full impact of the additional employee

and one half along with additional hours warranted by the increase in call volume will result in an increase of \$ \$301,346 over what was actually spend in fiscal year 2014. The Polk County Sheriff's contract results in about a \$156,217 increase. An additional Street Department employee and added increases will result in a \$95,879 increase. Improvements to North Pointe and Lions Park account for \$200,000. The general park budget accounting for just realistic mowing and ground maintenance costs would be an increase of \$177,135 over fiscal year 2014 just because of the effects of added personnel and programming. If all of the estimates are realized, the City's budgeted General Fund cash balance is expected to decrease about \$252,158. It should be noted, however, the General Fund balance was expected to decrease by \$1,004,808 in fiscal year 2014, but it actually increased \$235,406 because of the timing of the remodeling of the library, old City Hall and new City Hall, which accounted for over \$800,000 of the proposed deficit. Thus, the proposed deficit of \$252,158 will more likely be about \$1,052,158 taking into account the unexpended remodeling funds in fiscal year 2014. The buy-down of the ending balance was done to keep taxes at a stable level.

### **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](mailto:kelbrown@ci.grimes.ia.us).

## **Basic Financial Statements**

City of Grimes

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2014

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 2,280,626	915,621	22,525	-
Public works	1,893,484	-	823,394	-
Culture and recreation	1,175,528	187,226	38,528	-
Community and economic development	129,683	-	5,521	-
General government	687,525	54,063	42,312	-
Debt service	2,773,233	-	126,597	153,437
Capital projects	3,442,998	39,834	-	108,229
Total governmental activities	12,383,077	1,196,744	1,058,877	261,666
Business type activities:				
Water	3,126,688	2,210,749	-	-
Sewer	1,346,815	1,534,680	-	-
Solid waste	371,460	293,769	-	-
Storm water	49,466	377,616	-	-
Total business type activities	4,894,429	4,416,814	-	-
Total	\$ 17,277,506	5,613,558	1,058,877	261,666
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Revenue bond proceeds, net of \$12,160 initiation fee				
Unrestricted interest on investments				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Debt service				
Streets				
Urban renewal purposes				
Capital projects				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements.

Net (Disbursements) Receipts and  
Changes in Cash Basis Net Position

Governmental Activities	Business Type Activities	Total
(1,342,480)	-	(1,342,480)
(1,070,090)	-	(1,070,090)
(949,774)	-	(949,774)
(124,162)	-	(124,162)
(591,150)	-	(591,150)
(2,493,199)	-	(2,493,199)
(3,294,935)	-	(3,294,935)
(9,865,790)	-	(9,865,790)
-	(915,939)	(915,939)
-	187,865	187,865
-	(77,691)	(77,691)
-	328,150	328,150
-	(477,615)	(477,615)
(9,865,790)	(477,615)	(10,343,405)
4,483,546	-	4,483,546
1,539,502	-	1,539,502
1,174,536	-	1,174,536
-	1,340,359	1,340,359
16,087	297	16,384
440,000	(440,000)	-
7,653,671	900,656	8,554,327
(2,212,119)	423,041	(1,789,078)
12,020,587	3,764,473	15,785,060
\$ 9,808,468	4,187,514	13,995,982
\$ 2,564,597	307,148	2,871,745
450,229	-	450,229
44,794	-	44,794
1,846,828	-	1,846,828
464,322	-	464,322
4,437,698	3,880,366	8,318,064
\$ 9,808,468	4,187,514	13,995,982

City of Grimes

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

As of and for the year ended June 30, 2014

	Special Revenue		
	General	Road Use Tax	Tax Increment Financing
Receipts:			
Property tax	\$ 3,698,975	-	-
Tax increment financing	-	-	1,174,536
Other city tax	210,131	-	-
Licenses and permits	466,683	-	-
Use of money and property	26,789	-	-
Intergovernmental	62,504	823,394	-
Charges for service	615,911	-	-
Special assessments	-	-	-
Miscellaneous	65,932	-	-
Total receipts	5,146,925	823,394	1,174,536
Disbursements:			
Operating:			
Public safety	2,263,793	-	-
Public works	1,181,545	711,939	-
Culture and recreation	1,137,162	-	-
Community and economic development	129,683	-	-
General government	687,525	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	5,399,708	711,939	-
Excess (deficiency) of receipts over (under) disbursements	(252,783)	111,455	1,174,536
Other financing sources (uses):			
Transfers in	548,189	-	-
Transfers out	(60,000)	(299,365)	(1,155,957)
Total other financing sources (uses)	488,189	(299,365)	(1,155,957)
Change in cash balances	235,406	(187,910)	18,579
Cash balances beginning of year	4,202,292	638,139	26,215
Cash balances end of year	\$ 4,437,698	450,229	44,794
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Debt service	\$ -	-	-
Streets	-	450,229	-
Urban renewal purposes	-	-	44,794
Capital projects	-	-	-
Other purposes	-	-	-
Unassigned	4,437,698	-	-
Total cash basis fund balances	\$ 4,437,698	450,229	44,794

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
1,539,502	-	574,440	5,812,917
-	-	-	1,174,536
-	-	-	210,131
-	-	-	466,683
1	39,834	5,521	72,145
126,596	108,229	11,103	1,131,826
-	-	-	615,911
153,437	-	-	153,437
-	-	27,440	93,372
<u>1,819,536</u>	<u>148,063</u>	<u>618,504</u>	<u>9,730,958</u>
-	-	16,833	2,280,626
-	-	-	1,893,484
-	-	38,366	1,175,528
-	-	-	129,683
-	-	-	687,525
2,773,233	-	-	2,773,233
-	3,442,998	-	3,442,998
<u>2,773,233</u>	<u>3,442,998</u>	<u>55,199</u>	<u>12,383,077</u>
<u>(953,697)</u>	<u>(3,294,935)</u>	<u>563,305</u>	<u>(2,652,119)</u>
1,255,322	700,000	-	2,503,511
-	-	(548,189)	(2,063,511)
<u>1,255,322</u>	<u>700,000</u>	<u>(548,189)</u>	<u>440,000</u>
301,625	(2,594,935)	15,116	(2,212,119)
<u>2,262,972</u>	<u>4,441,763</u>	<u>449,206</u>	<u>12,020,587</u>
<u>2,564,597</u>	<u>1,846,828</u>	<u>464,322</u>	<u>9,808,468</u>
2,564,597	-	-	2,564,597
-	-	-	450,229
-	-	-	44,794
-	1,846,828	-	1,846,828
-	-	464,322	464,322
-	-	-	4,437,698
<u>2,564,597</u>	<u>1,846,828</u>	<u>464,322</u>	<u>9,808,468</u>

**Exhibit C**

## City of Grimes

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

As of and for the year ended June 30, 2014

	Enterprise			Total
	Water	Sewer	Nonmajor	
Operating receipts:				
Charges for service	\$ 2,210,749	1,534,680	671,385	4,416,814
Operating disbursements:				
Business type activities	1,306,590	524,522	420,926	2,252,038
Excess of operating receipts over operating disbursements	904,159	1,010,158	250,459	2,164,776
Non-operating receipts (disbursements):				
Revenue bond proceeds, net of \$12,160 initiation fee	1,340,359	-	-	1,340,359
Interest on investments	297	-	-	297
Capital projects	(1,340,359)	(483,626)	-	(1,823,985)
Debt service	(479,739)	(338,667)	-	(818,406)
Net non-operating receipts (disbursements)	(479,442)	(822,293)	-	(1,301,735)
Excess of receipts over disbursements	424,717	187,865	250,459	863,041
Other financing sources (uses):				
Transfers in	-	-	60,000	60,000
Transfers out	(200,000)	(200,000)	(100,000)	(500,000)
Total other financing sources (uses):	(200,000)	(200,000)	(40,000)	(440,000)
Change in cash balances	224,717	(12,135)	210,459	423,041
Cash balances beginning of year	1,663,691	1,935,572	165,210	3,764,473
Cash balances end of year	\$ 1,888,408	1,923,437	375,669	4,187,514
<b>Cash Basis Fund Balances</b>				
Restricted for debt service	\$ 184,935	122,213	-	307,148
Unrestricted	1,703,473	1,801,224	375,669	3,880,366
Total cash basis fund balances	\$ 1,888,408	1,923,437	375,669	4,187,514

See notes to financial statements.

City of Grimes

Notes to Financial Statements

June 30, 2014

**(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, culture and recreation, community and economic development and general government services. The City also provides water, sewer, solid waste and storm water 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.

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

Blended Component Unit

Grimes Fire and Rescue Association is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the nonmajor governmental funds.

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 Cash Basis Statement of Activities and Net Position 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 Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position 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 and enterprise funds are aggregated and reported as nonmajor governmental funds and nonmajor enterprise 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 the road use tax allocation from the State of Iowa to be used 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 property tax and other receipts to be used 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 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 is both restricted and unrestricted cash basis net position 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.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amount budgeted in the business type activities function.

**(2) Cash and Pooled Investments**

The City’s deposits in banks at June 30, 2014 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 \$59,119 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	Total
2015	\$ 1,695,000	643,868	632,000	87,256	2,327,000	731,124	3,058,124
2016	1,750,000	593,806	657,000	76,195	2,407,000	670,001	3,077,001
2017	1,545,000	538,218	684,000	64,698	2,229,000	602,916	2,831,916
2018	1,590,000	481,898	710,000	52,728	2,300,000	534,626	2,834,626
2019	1,420,000	421,206	739,000	40,302	2,159,000	461,508	2,620,508
2020-2024	6,965,000	1,188,310	1,564,000	41,316	8,529,000	1,229,626	9,758,626
2025-2029	1,715,000	245,602	-	-	1,715,000	245,602	1,960,602
2030-2033	1,125,000	56,294	-	-	1,125,000	56,294	1,181,294
Total	\$ 17,805,000	4,169,202	4,986,000	362,495	22,791,000	4,531,697	27,322,697

Water Revenue Bonds

On July 12, 2013, the City entered into a loan agreement with the Iowa Finance Authority (IFA) and the Iowa Department of Natural Resources for the issuance of water revenue bonds up to \$2,432,000 with interest at 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing a new Jordan water supply well. The City will draw down funds from the IFA upon request to reimburse the City for costs as they are incurred. At June 30, 2014, the City had drawn down \$1,352,519 of the authorized amount. An initiation fee of \$12,160 (0.5% of the authorized borrowing for the water revenue bonds) was charged by the IFA. The initiation fee was withheld from the first proceeds of the water revenue bonds drawn by the City during the year ended June 30, 2014. A final repayment schedule has not yet been adopted. During year ended June 30, 2014, the City paid principal of \$100,000 and interest of \$8,695 on the bonds under a preliminary repayment schedule.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$8,408,000 of water revenue bonds issued in December 2000 and July 2013. 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 53% of net receipts. The total principal and interest remaining to be paid on the bonds issued in December 2000 is \$2,763,760. For the current year, principal and interest paid and total customer net receipts were \$478,375 and \$904,159, 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 34% of net receipts. The total principal and interest remaining to be paid on the bonds is \$2,584,735. For the current year, principal and interest paid and total customer net receipts were \$337,233 and \$1,010,158, respectively.

On June 1, 2013, the Iowa Finance Authority reduced the interest rates on the water and sewer revenue bonds to 1.75% per annum. The agreements also require a .05% annual servicing fee. The resolutions providing for the issuance of the water and sewer revenue bonds issued under loan agreements between the City, 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 Agreement

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 was \$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 on June 1, 2006. The loan will be repaid from 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 agreement is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2015	4.58%	\$ 48,681	2,230	50,911

### Lease-Purchase Agreement

On August 9, 2011, the City entered into a lease-purchase agreement to lease a wheel loader and sweeper. 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, 2014:

Year Ending June 30,	Amount
2015 minimum lease payments	\$ 73,227
Less amount representing interest	(1,933)
Present value of net minimum lease payments	\$ 71,294

Payments under this lease-purchase agreement and another agreement paid in full at June 30, 2014 totaled \$99,215 during the year ended June 30, 2014.

#### **(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 5.95% of their annual covered salary and the City is required to contribute 8.93% 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, 2014, 2013 and 2012 were \$154,433, \$134,221 and \$113,548, 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, retirees and their spouses. There are 27 active and 1 retired members in the plan. Retired 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 \$900 for family coverage. For the year ended June 30, 2014, the City contributed \$265,178 and \$9,299 of contributions were made by plan members eligible for benefits.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave hours 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, compensatory time and sick leave payable to employees at June 30, 2014, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 78,000
Compensatory time	36,000
Sick leave	63,000
Total	<u>\$ 177,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2014.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Employee Benefits	<u>\$ 548,189</u>
Debt Service	Special Revenue: Road Use Tax Tax Increment Financing	<u>99,365</u> <u>1,155,957</u> <u>1,255,322</u>
Capital Projects	Special Revenue: Road Use Tax Enterprise: Water Sewer Storm Water	<u>200,000</u> <u>200,000</u> <u>200,000</u> <u>100,000</u> <u>700,000</u>
Enterprise: Solid Waste	General	<u>60,000</u>
Total		<u>\$ 2,563,511</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 700 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 at a level determined by the Board not to exceed 300% 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, 2014 were \$160,790.

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 through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

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 City's risk-sharing certificate, or in the event a series of casualty claims exhausts the Pool's funds and reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member against whom the claim was made or loss was incurred. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2014, no liability has been recorded in the City's financial statements. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception. As of June 30, 2014, 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. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

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 provides health coverage for its employees through a self-insurance plan funded and administrated by the City. The City assumes liability for the difference in deductibles from the plan for any amounts over \$250 for individual coverage and \$500 for family coverage. The City also self-insures the co-pay for amounts exceeding \$15 per office visit. Monthly payments of claims are paid from the City's General Fund. During the year ended June 30, 2014, the City transferred \$4,159 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 nine 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 \$2,638,223. The agreements do not include provisions for payment of interest.

During the year ended June 30, 2014, the City rebated \$263,257 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, 2014 is \$1,373,015.

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 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. During the year ended June 30, 2014, the City reimbursed the developer the remaining amount due from sewer tapping fees from the Enterprise, Sewer Fund. Therefore, this agreement has been paid in full.

An additional development agreement requires the City to reimburse the costs of a railway line abandonment/removal, as well as the relocation of a run-around switch. The maximum to be paid under this development agreement is \$350,000. The development agreement requires payments of \$50,000 per year until paid in full. During the year ended June 30, 2014, the City paid \$50,000 from the Special Revenue, Road Use Tax Fund. The outstanding principal balance on this agreement at June 30, 2014 is \$150,000.

**(10) Economic Development Loan**

On January 10, 2006, the City approved an economic development loan agreement with Breeding True Value Hardware. The City loaned \$50,000 to assist in locating a store in the City. 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, 2014, the outstanding loan balance is \$10,107.

**(11) Education Facility and Community Provider Revenue Notes**

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

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

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

**(12) Senior Housing Revenue Refunding Notes**

The City entered into a loan agreement with PHS Walnut Ridge, LLC to obtain funds to loan to the nonprofit corporation. The City, on August 14, 2012, authorized the issuance of not to exceed \$3,500,000 of Senior Housing Revenue Refunding Notes, Series 2012, under the provisions of Chapter 419 of the Code of Iowa. The proceeds of the note are to be paid directly to or at the direction of PHS Walnut Ridge, LLC for retiring existing debt. The notes and related interest are payable solely from revenue derived from a loan agreement and the note principal and interest do not constitute liabilities of the City.

**(13) Construction Commitments**

The City has entered into construction contracts totaling \$16,877,474. As of June 30, 2014, costs of \$11,957,594 had been paid on the contracts. The remaining \$4,919,880 will be paid as work on these projects progresses.

**(14) Internal Loan**

The City loaned \$855,000 to the Special Revenue, Tax Increment Financing Fund from the Capital Projects Fund for the Sports Complex Park. The remaining balance of the internal loan is \$505,000 as of June 30, 2014.

**(15) Subsequent Event**

On July 30, 2014, the City entered into lease-purchase agreements to lease two snow plows and a skid loader for \$400,000. The lease began on July 30, 2014 and ends June 30, 2019. The annual payments are \$83,245 with an interest rate of 2% per annum.

**(16) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements established new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

## **Other 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

Other Information

Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required To Be Budgeted	Net
Receipts:				
Property tax	\$ 5,812,917	-	-	5,812,917
Delinquent property tax	-	-	-	-
Tax increment financing	1,174,536	-	-	1,174,536
Other city tax	210,131	-	-	210,131
Licenses and permits	466,683	-	-	466,683
Use of money and property	72,145	297	-	72,442
Intergovernmental	1,131,826	-	-	1,131,826
Charges for service	615,911	4,416,814	-	5,032,725
Special assessments	153,437	-	-	153,437
Miscellaneous	93,372	-	22,525	70,847
Total receipts	<u>9,730,958</u>	<u>4,417,111</u>	<u>22,525</u>	<u>14,125,544</u>
Disbursements:				
Public safety	2,280,626	-	16,833	2,263,793
Public works	1,893,484	-	-	1,893,484
Health and social services	-	-	-	-
Culture and recreation	1,175,528	-	-	1,175,528
Community and economic development	129,683	-	-	129,683
General government	687,525	-	-	687,525
Debt service	2,773,233	-	-	2,773,233
Capital projects	3,442,998	-	-	3,442,998
Business type activities	-	4,894,429	-	4,894,429
Total disbursements	<u>12,383,077</u>	<u>4,894,429</u>	<u>16,833</u>	<u>17,260,673</u>
Excess (deficiency) of receipts over (under) disbursements	(2,652,119)	(477,318)	5,692	(3,135,129)
Other financing sources (uses), net	440,000	900,359	-	1,340,359
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(2,212,119)	423,041	5,692	(1,794,770)
Balances beginning of year	12,020,587	3,764,473	9,846	15,775,214
Balances end of year	<u>\$ 9,808,468</u>	<u>4,187,514</u>	<u>15,538</u>	<u>13,980,444</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
5,706,134	5,785,304	27,613
-	4,000	(4,000)
1,155,957	1,155,957	18,579
321,501	247,193	(37,062)
361,825	361,825	104,858
58,100	62,500	9,942
818,736	820,736	311,090
4,525,200	5,426,400	(393,675)
100,000	100,000	53,437
18,300	11,500	59,347
13,065,753	13,975,415	150,129
2,130,808	2,384,808	121,015
1,975,213	1,945,213	51,729
12,000	12,000	12,000
1,260,990	1,765,949	590,421
137,656	137,656	7,973
687,286	1,031,675	344,150
2,799,472	2,788,910	15,677
7,525,000	7,525,000	4,082,002
3,360,016	3,905,016	(989,413)
19,888,441	21,496,227	4,235,554
(6,822,688)	(7,520,812)	4,385,683
-	1,000,000	340,359
-		
(6,822,688)	(6,520,812)	4,726,042
10,820,653	15,617,126	158,088
3,997,965	9,096,314	4,884,130

City of Grimes

Notes to Other Information – Budgetary Reporting

June 30, 2014

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund 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 \$1,607,786. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amount budgeted in the business type activities function.

## **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, 2014

	Employee Benefits	Economic Development Revolving Loan	Special Grimes Fire and Rescue Association
<b>Receipts:</b>			
Property tax	\$ 574,440	-	-
Use of money and property	-	5,521	-
Intergovernmental	-	-	-
Miscellaneous	-	-	22,525
Total receipts	574,440	5,521	22,525
<b>Disbursements:</b>			
Operating:			
Public safety	-	-	16,833
Culture and recreation	-	-	-
Total disbursements	-	-	16,833
Excess (deficiency) of receipts over (under) disbursements	574,440	5,521	5,692
<b>Other financing uses:</b>			
Operating transfers out	(548,189)	-	-
Change in cash balances	26,251	5,521	5,692
Cash balances beginning of year	140,453	200,573	9,846
Cash balances end of year	\$ 166,704	206,094	15,538
<b>Cash Basis Fund Balances</b>			
Restricted for other purposes	\$ 166,704	206,094	15,538

See accompanying independent auditor's report.

Revenue			
FEMA Grant	Library	Rolow Memorial	Total
-	-	-	574,440
-	-	-	5,521
-	11,103	-	11,103
-	4,915	-	27,440
-	16,018	-	618,504
-	-	-	16,833
-	38,366	-	38,366
-	38,366	-	55,199
-	(22,348)	-	563,305
-	-	-	(548,189)
-	(22,348)	-	15,116
34,240	62,261	1,833	449,206
34,240	39,913	1,833	464,322
34,240	39,913	1,833	464,322

**Schedule 2**

## City of Grimes

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

As of and for the year ended June 30, 2014

	Enterprise		
	Solid Waste	Storm Water	Total
Operating receipts:			
Charges for service	\$ 293,769	377,616	671,385
Operating disbursements:			
Business type activities	371,460	49,466	420,926
Excess (deficiency) of operating receipts over (under) operating disbursements	(77,691)	328,150	250,459
Other financing sources (uses):			
Transfers in	60,000	-	60,000
Transfers out	-	(100,000)	(100,000)
Total other financing sources (uses)	60,000	(100,000)	(40,000)
Change in cash balances	(17,691)	228,150	210,459
Cash balances beginning of year	19,615	145,595	165,210
Cash balances end of year	\$ 1,924	373,745	375,669
<b>Cash Basis Fund Balances</b>			
Unrestricted	\$ 1,924	373,745	375,669

See accompanying independent auditor's report.

**City of Grimes**

City of Grimes  
Schedule of Indebtedness  
June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Corporate purpose	Aug 1, 2007	4.00-4.10%	\$ 5,200,000
Corporate purpose	Nov 1, 2009	1.50-5.40	10,000,000
Corporate purpose	Sep 1, 2011	0.60-1.50	1,250,000
Corporate purpose	Dec 1, 2012	2.00-2.50	6,000,000
Corporate purpose	Apr 15, 2013	2.00	1,050,000
Total			
Revenue bonds:			
Water	Dec 19, 2000	1.75% *	\$ 5,976,000
Water	Jul 12, 2013	1.75 **	2,432,000
Sewer	Dec 19, 2000	1.75 *	5,372,000
Total			
Loan agreement:			
Fire truck	Mar 22, 2005	3.05-4.58%	\$ 498,681
Lease-purchase agreements:			
Truck and snow plow	Jul 15, 2010	3.95%	\$ 120,438
Wheel loader and sweeper	Aug 9, 2011	2.71	347,310
Total			

\* The Iowa Finance Authority reduced the interest rates on the water and sewer revenue bonds to 1.75% per annum as of June 1, 2013. The agreements also require a .05% annual servicing fee.

\*\* The City is required to annually pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
3,500,000	-	330,000	3,170,000	141,710
8,115,000	-	620,000	7,495,000	389,765
740,000	-	245,000	495,000	9,263
6,000,000	-	205,000	5,795,000	189,047
1,050,000	-	200,000	850,000	23,683
<b>\$ 19,405,000</b>	-	<b>1,600,000</b>	<b>17,805,000</b>	<b>753,468</b>
2,896,000	-	319,000	2,577,000	50,680
-	1,352,519	100,000	1,252,519	8,695
2,699,000	-	290,000	2,409,000	47,233
<b>\$ 5,595,000</b>	<b>1,352,519</b>	<b>709,000</b>	<b>6,238,519</b>	<b>106,608</b>
98,681	-	50,000	48,681	4,470
25,001	-	25,001	-	987
140,707	-	69,413	71,294	3,814
<b>\$ 165,708</b>	-	<b>94,414</b>	<b>71,294</b>	<b>4,801</b>

City of Grimes

Bond Maturities

June 30, 2014

Year Ending June 30,	General Obligation Bonds							
	Corporate Purpose		Corporate Purpose		Corporate Purpose		Corporate Purpose	
	Issued Aug 1, 2007		Issued Nov 1, 2009		Issued Sept 1, 2011		Issued Dec 1, 2012	
	Interest		Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount
2015	4.00%	\$ 340,000	3.75%	\$ 640,000	1.25%	\$ 245,000	2.00%	\$ 270,000
2016	4.00	355,000	4.25	655,000	1.50	250,000	2.00	275,000
2017	4.00	370,000	4.65	680,000	-	-	2.00	280,000
2018	4.05	385,000	5.00	700,000	-	-	2.00	285,000
2019	4.05	405,000	5.00	725,000	-	-	2.00	290,000
2020	4.10	420,000	5.00	755,000	-	-	2.00	300,000
2021	4.10	440,000	5.15	785,000	-	-	2.00	305,000
2022	4.10	455,000	5.30	815,000	-	-	2.00	310,000
2023	-	-	5.35	850,000	-	-	2.00	315,000
2024	-	-	5.40	890,000	-	-	2.00	325,000
2025	-	-	-	-	-	-	2.00	330,000
2026	-	-	-	-	-	-	2.13	335,000
2027	-	-	-	-	-	-	2.00	345,000
2028	-	-	-	-	-	-	2.00	350,000
2029	-	-	-	-	-	-	2.13	355,000
2030	-	-	-	-	-	-	2.38	365,000
2031	-	-	-	-	-	-	2.50	375,000
2032	-	-	-	-	-	-	2.50	385,000
Total		<u>\$ 3,170,000</u>		<u>\$ 7,495,000</u>		<u>\$ 495,000</u>		<u>\$ 5,795,000</u>

See accompanying independent auditor's report.

Corporate Purpose			Revenue Bonds					
Issued Apr 15, 2013			Water		Sewer			
Issued Apr 15, 2013			Issued Dec 19, 2000		Issued Dec 19, 2000			
Interest			Interest		Interest			
Rates	Amount	Total	Rates	Total	Rates	Amount	Total	
2.00%	\$ 200,000	1,695,000	1.75%	\$ 330,000	1.75%	\$ 302,000	632,000	
2.00	215,000	1,750,000	1.75	342,000	1.75	315,000	657,000	
2.00	215,000	1,545,000	1.75	355,000	1.75	329,000	684,000	
2.00	220,000	1,590,000	1.75	367,000	1.75	343,000	710,000	
	-	1,420,000	1.75	381,000	1.75	358,000	739,000	
	-	1,475,000	1.75	394,000	1.75	373,000	767,000	
	-	1,530,000	1.75	408,000	1.75	389,000	797,000	
	-	1,580,000		-		-	-	
	-	1,165,000		-		-	-	
	-	1,215,000		-		-	-	
	-	330,000		-		-	-	
	-	335,000		-		-	-	
	-	345,000		-		-	-	
	-	350,000		-		-	-	
	-	355,000		-		-	-	
	-	365,000		-		-	-	
	-	375,000		-		-	-	
	-	385,000		-		-	-	
	<u>\$ 850,000</u>	<u>17,805,000</u>		<u>\$ 2,577,000</u>		<u>\$ 2,409,000</u>	<u>4,986,000</u>	

City of Grimes

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

For the Last Ten Years

	2014	2013	2012	2011
<b>Receipts:</b>				
Property tax	\$ 5,812,917	5,384,022	5,145,434	5,033,717
Tax increment financing	1,174,536	1,335,445	1,161,927	1,060,037
Other city tax	210,131	204,179	243,855	226,812
Licenses and permits	466,683	423,560	345,021	261,512
Use of money and property	72,145	67,607	77,028	146,295
Intergovernmental	1,131,826	1,283,467	2,193,161	4,219,426
Charges for service	615,911	437,434	355,207	291,711
Special assessments	153,437	199,663	190,504	273,936
Miscellaneous	93,372	99,578	90,807	512,549
<b>Total</b>	<b>\$ 9,730,958</b>	<b>9,434,955</b>	<b>9,802,944</b>	<b>12,025,995</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 2,280,626	1,771,301	1,792,889	1,342,355
Public works	1,893,484	1,401,187	2,264,122	1,461,193
Health and social services	-	-	5,809	-
Culture and recreation	1,175,528	869,581	893,848	937,497
Community and economic development	129,683	122,300	122,548	114,011
General government	687,525	655,158	534,360	521,971
Debt service	2,773,233	3,734,868	3,666,018	2,150,932
Capital projects	3,442,998	2,683,365	5,094,990	6,624,078
<b>Total</b>	<b>\$ 12,383,077</b>	<b>11,237,760</b>	<b>14,374,584</b>	<b>13,152,037</b>

See accompanying independent auditor's report.

2010	2009	2008	2007	2006	2005
4,461,334	3,805,022	3,239,293	2,853,663	2,502,802	2,307,906
812,070	881,205	966,128	761,226	817,073	670,298
215,732	197,810	198,987	112,067	68,100	107,372
349,221	184,396	427,871	425,331	355,345	295,902
91,697	282,917	311,866	154,674	101,908	123,906
1,594,655	560,122	582,316	1,073,834	890,894	1,378,470
247,272	269,886	252,863	240,383	414,290	426,201
189,244	60,230	37,859	49,060	137,137	437,247
1,067,568	1,715,428	1,678,958	1,756,010	1,428,522	2,669,863
9,028,793	7,957,016	7,696,141	7,426,248	6,716,071	8,417,165
1,267,021	1,126,024	1,066,345	824,398	1,139,269	1,430,441
1,421,463	1,660,313	1,045,823	767,595	684,261	771,074
-	-	-	6,067	33,583	39,000
738,238	778,958	575,730	480,494	542,363	411,536
112,859	160,916	141,481	58,799	128,219	57,634
609,524	577,086	497,589	486,222	499,030	445,296
1,631,804	1,585,293	1,834,602	1,371,799	1,413,924	1,092,771
7,150,402	4,089,799	4,379,280	5,092,309	3,362,209	4,817,303
12,931,311	9,978,389	9,540,850	9,087,683	7,802,858	9,065,055

**Schedule 6**

## City of Grimes

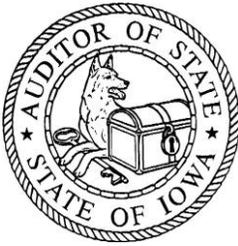
## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	HDP-044-6(14)--71-77	\$ 17,599
Environmental Protection Agency:			
Iowa Department of Natural Resources:			
Capitalization Grants for Drinking Water			
State Revolving Funds	66.468	FS-77-14-DWSRF-002	<u>1,111,295</u>
Total			<u>\$ 1,128,894</u>

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Grimes and is presented on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. The information in 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**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

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

To the Honorable Mayor and  
Members of the City Council:

We have audited 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, the 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, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 29, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Grimes' internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Grimes' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Grimes' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item II-A-14, we consider to be a significant deficiency.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Grimes' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are 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, 2014 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 the Findings

The City of Grimes' responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Grimes' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.

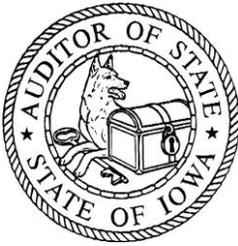
  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 29, 2014

**Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133**

**City of Grimes**



**OFFICE OF AUDITOR OF STATE  
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Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited City of Grimes, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Grimes' major federal program for the year ended June 30, 2014. The City of Grimes' major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Grimes' major federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance for the major federal program. However, our audit does not provide a legal determination on the City of Grimes' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Grimes complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of the City of Grimes is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Grimes' internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 a 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses or significant deficiencies. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



MARY MOSIMAN, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 29, 2014

City of Grimes

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

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

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a 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.
- (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 unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are 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 66.468 – Capitalization Grants for Drinking Water State Revolving Funds.
- (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, 2014

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

II-A-14 Interfund Loans – An interfund loan was made in a prior year between the Capital Projects Fund and the Special Revenue, Tax Increment Financing Fund. The City did not maintain documentation to support the approval, date and amount of the loan.

Recommendation - Supporting documentation should be maintained to support the approval, date and amount of the interfund loan.

Response – The City will approve the interfund loan and keep supporting documentation on file for this loan, as well as all future interfund loans.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Grimes

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

**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, 2014

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-14 Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amount budgeted in the business type activities function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – In the future, budget amendments shall be made in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

Conclusion – Response accepted.

IV-B-14 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-14 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-14 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Tom Armstrong, Mayor, Owner of Rainbow Play Systems of Iowa	Playground equipment	\$ 1,490

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with Rainbow Play Systems of Iowa do not appear to represent a conflict of interest since the total transactions did not exceed \$1,500 during the fiscal year.

IV-E-14 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-14 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

IV-G-14 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-14 Water and Sewer Revenue Bonds – No instances of non-compliance with the provisions of the revenue bond resolutions were noted.

City of Grimes

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

IV-I-14 Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1. However, the City understated the amount reported as TIF debt outstanding by \$587,138.

Recommendation – The City should ensure debt amounts reported on the Levy Authority Summary agree with the City’s records. The City should certify the additional TIF obligations undertaken in fiscal year 2014 on the City’s next TIF certification.

Response – The City will certify the additional TIF obligations on the City’s next TIF certification and ensure the Annual Urban Renewal Report debt balances match the TIF certification.

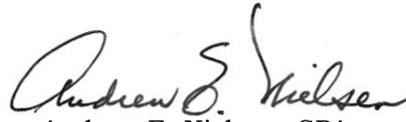
Conclusion – Response accepted.

City of Grimes

Staff

This audit was performed by:

Timothy D. Houlette, CPA, Manager  
Melissa J. Knoll-Speer, Senior Auditor II  
Melissa A. Hastert, Assistant Auditor  
Luke H. Holman, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State