

CITY OF GRINNELL, IOWA

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

JUNE 30, 2019

CITY OF GRINNELL, IOWA  
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CITY OF GRINNELL, IOWA  
OFFICIALS  
June 30, 2019

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dan Agnew	Mayor	January, 2020
James White	Council Member	January, 2022
Julie Hansen	Council Member	January, 2022
Jo Wray	Council Member	January, 2020
Rachel Bly	Council Member	January, 2022
Sondra Burnell	Council Member	January, 2020
Byron Hueftle-Worley	Council Member	January, 2020
Russell Behrens	City Manager	Appointed
P. Kay Cmelik (Resigned November, 2019)	City Clerk/Finance Director	Appointed
Ann Wingerter (Appointed November, 2019)	City Clerk/Finance Director	Appointed
William Sueppel	City Attorney	Appointed

# Gronewold, Bell, Kyhnn & Co. P.C.

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CHRISTOPHER J. NELSON  
DAVID A. GINTHER

## 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 Grinnell, Iowa, as of and for the year ended June 30, 2019, 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.

To the Honorable Mayor and  
Members of the City Council

## **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 Grinnell as of June 30, 2019, 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 Grinnell's 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, 2018 (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 4 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, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 28 through 36, 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.

To the Honorable Mayor and  
Members of the City Council

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 13, 2019 on our consideration of the City of Grinnell's 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 solely 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 effectiveness of the City's 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 Grinnell's internal control over financial reporting and compliance.

*Grinnell, Ben. Kuhn & Co., P.C.*

Atlantic, Iowa  
December 13, 2019

CITY OF GRINNELL, IOWA  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

As of and for the year ended June 30, 2019

	<u>Disbursements</u>	<u>Program Receipts</u>	
		<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
Functions/Programs:			
Governmental activities:			
Public safety	\$ 2,189,223	\$ 70,967	\$ 39,298
Public works	2,487,930	6,940	1,227,001
Health and social services	1,000	--	--
Culture and recreation	1,413,005	312,994	126,029
Community and economic development	726,831	136,317	--
General government	1,166,458	28,646	151,162
Debt service	2,541,715	--	8,217
Capital projects	4,985,094	--	--
Total governmental activities	<u>15,511,256</u>	<u>555,864</u>	<u>1,551,707</u>
Business type activities:			
Water	1,639,365	1,708,042	--
Sewer	8,706,443	1,908,649	--
Solid waste	1,083,413	1,261,233	--
Storm sewer	124,802	353,267	--
Total business type activities	<u>11,554,023</u>	<u>5,231,191</u>	<u>--</u>
Total	<u>\$ 27,065,279</u>	<u>\$ 5,787,055</u>	<u>\$ 1,551,707</u>
General Receipts and Transfers:			
Property tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Hotel motel tax			
Local option sales tax			
Unrestricted interest on investments			
Debt proceeds			
Miscellaneous			
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			

(continued next page)

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
\$ --	\$( 2,078,958)	\$ --	\$( 2,078,958)
--	( 1,253,989)	--	( 1,253,989)
--	( 1,000)	--	( 1,000)
--	( 973,982)	--	( 973,982)
--	( 590,514)	--	( 590,514)
--	( 986,650)	--	( 986,650)
--	( 2,533,498)	--	( 2,533,498)
<u>1,267,858</u>	<u>( 3,717,236)</u>	<u>--</u>	<u>( 3,717,236)</u>
<u>1,267,858</u>	<u>( 12,135,827)</u>	<u>--</u>	<u>( 12,135,827)</u>
--	--	68,677	68,677
--	--	( 6,797,794)	( 6,797,794)
--	--	177,820	177,820
--	--	<u>228,465</u>	<u>228,465</u>
--	--	<u>( 6,322,832)</u>	<u>( 6,322,832)</u>
<u>\$ 1,267,858</u>	<u>( 12,135,827)</u>	<u>( 6,322,832)</u>	<u>( 18,458,659)</u>
	4,675,485	--	4,675,485
	248,159	--	248,159
	2,218,739	--	2,218,739
	399,590	--	399,590
	1,128,746	--	1,128,746
	70,368	29,326	99,694
	425,000	7,790,666	8,215,666
	244,713	85,515	330,228
	<u>2,203,832</u>	<u>( 2,203,832)</u>	<u>--</u>
	<u>11,614,632</u>	<u>5,701,675</u>	<u>17,316,307</u>
	( 521,195)	( 621,157)	( 1,142,352)
	<u>9,101,501</u>	<u>5,005,646</u>	<u>14,107,147</u>
	<u>\$ 8,580,306</u>	<u>\$ 4,384,489</u>	<u>\$ 12,964,795</u>

CITY OF GRINNELL, IOWA  
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION - Continued

As of and for the year ended June 30, 2019

		<u>Program Receipts</u>
	<u>Charges for</u>	<u>Operating Grants,</u>
	<u>Service</u>	<u>Contributions,</u>
<u>Disbursements</u>		<u>and Restricted</u>
		<u>Interest</u>
Cash Basis Net Position		
Restricted:		
Nonexpendable:		
Cemetery perpetual care		
Expendable:		
Debt service		
Capital projects		
Urban renewal purposes		
Streets		
Equipment		
Other purposes		
Unrestricted		
Total cash basis net position		

The accompanying notes are an integral part of these statements.

<u>Program Receipts</u> Capital Grants, Contributions, and Restricted Interest	<u>Net (Disbursements) Receipts and Changes in Cash Basis Net Position</u>		
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
	\$ 527,324	\$ --	\$ 527,324
	132,606	64,475	197,081
	883,630	924,728	1,808,358
	485,021	--	485,021
	947,565	--	947,565
	1,222,766	--	1,222,766
	2,166,924	--	2,166,924
	<u>2,214,470</u>	<u>3,395,286</u>	<u>5,609,756</u>
	<u>\$ 8,580,306</u>	<u>\$ 4,384,489</u>	<u>\$ 12,964,795</u>

CITY OF GRINNELL, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2019

	<u>General</u>	<u>Special Revenue</u>	
		<u>Equipment Replacement</u>	<u>Road Use</u>
Receipts:			
Property tax	\$ 2,449,989	\$ --	\$ --
Tax increment financing	--	--	--
Other city tax	874,506	--	--
Licenses and permits	8,132	--	--
Use of money and property	91,906	6,949	--
Intergovernmental	242,697	--	1,190,834
Charges for service	385,740	--	--
Miscellaneous	253,017	36,420	--
Total receipts	<u>4,305,987</u>	<u>43,369</u>	<u>1,190,834</u>
Disbursements:			
Operating:			
Public safety	1,864,696	--	--
Public works	189,319	1,543,851	754,760
Health and social services	1,000	--	--
Culture and recreation	1,384,802	--	--
Community and economic development	174,807	--	--
General government	321,802	--	--
Debt service	--	--	--
Capital projects	--	--	--
Total disbursements	<u>3,936,426</u>	<u>1,543,851</u>	<u>754,760</u>
Excess (deficiency) of receipts over (under) disbursements	369,561	( 1,500,482)	436,074
Other financing sources (uses):			
Debt proceeds	--	--	--
Transfers in	185,149	1,167,500	--
Transfers out	( 481,659)	( 3,051)	( 277,997)
Total other financing sources (uses)	<u>( 296,510)</u>	<u>1,164,449</u>	<u>( 277,997)</u>
Change in cash balances	73,051	( 336,033)	158,077
Cash balances beginning of year	<u>2,141,419</u>	<u>1,558,799</u>	<u>789,488</u>
Cash balances end of year	<u>\$ 2,214,470</u>	<u>\$ 1,222,766</u>	<u>\$ 947,565</u>

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<u>Special Revenue</u>						
<u>Employee Benefits</u>	<u>Tax Increment Financing</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>	
\$ 1,337,819	\$ --	\$ 246,225	\$ --	\$ --	\$ 4,034,033	
--	2,218,739	--	--	--	2,218,739	
13,171	--	1,934	--	1,528,336	2,417,947	
--	--	--	--	--	8,132	
1,531	6,154	1,540	244	15,604	123,928	
55,958	--	8,217	1,267,858	--	2,765,564	
--	--	--	--	--	385,740	
35	2,441	--	245	114,988	407,146	
<u>1,408,514</u>	<u>2,227,334</u>	<u>257,916</u>	<u>1,268,347</u>	<u>1,658,928</u>	<u>12,361,229</u>	
323,032	--	--	--	1,495	2,189,223	
--	--	--	--	--	2,487,930	
--	--	--	--	--	1,000	
--	--	--	--	28,203	1,413,005	
--	285,631	--	--	266,393	726,831	
654,040	--	--	--	190,616	1,166,458	
--	--	2,541,715	--	--	2,541,715	
--	--	--	4,985,094	--	4,985,094	
<u>977,072</u>	<u>285,631</u>	<u>2,541,715</u>	<u>4,985,094</u>	<u>486,707</u>	<u>15,511,256</u>	
431,442	1,941,703	( 2,283,799)	( 3,716,747)	1,172,221	( 3,150,027)	
--	--	425,000	--	--	425,000	
--	--	2,532,914	3,160,521	442,350	7,488,434	
( 401,368)	( 1,998,111)	( 670,701)	( 30,000)	( 1,421,715)	( 5,284,602)	
<u>( 401,368)</u>	<u>( 1,998,111)</u>	<u>2,287,213</u>	<u>3,130,521</u>	<u>( 979,365)</u>	<u>2,628,832</u>	
30,074	( 56,408)	3,414	( 586,226)	192,856	( 521,195)	
<u>190,232</u>	<u>541,429</u>	<u>129,192</u>	<u>1,469,856</u>	<u>2,281,086</u>	<u>9,101,501</u>	
<u>\$ 220,306</u>	<u>\$ 485,021</u>	<u>\$ 132,606</u>	<u>\$ 883,630</u>	<u>\$ 2,473,942</u>	<u>\$ 8,580,306</u>	

CITY OF GRINNELL, IOWA  
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
 AND CHANGES IN CASH BALANCES  
 GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2019

	General	Special Revenue	
		Equipment Replacement	Road Use
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --
Restricted for:			
Debt service	--	--	--
Capital projects	--	--	--
Urban renewal purpose	--	--	--
Streets	--	--	947,565
Equipment	--	1,222,766	--
Other purposes	--	--	--
Unassigned	2,214,470	--	--
Total cash basis fund balances	\$ 2,214,470	\$ 1,222,766	\$ 947,565

The accompanying notes are an integral part of these statements.

<u>Special Revenue</u>						
<u>Employee Benefits</u>	<u>Tax Increment Financing</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>	
\$ --	\$ --	\$ --	\$ --	\$ 527,324	\$ 527,324	
--	--	132,606	--	--	132,606	
--	--	--	883,630	--	883,630	
--	485,021	--	--	--	485,021	
--	--	--	--	--	947,565	
--	--	--	--	--	1,222,766	
220,306	--	--	--	1,946,618	2,166,924	
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,214,470</u>	
<u>\$ 220,306</u>	<u>\$ 485,021</u>	<u>\$ 132,606</u>	<u>\$ 883,630</u>	<u>\$ 2,473,942</u>	<u>\$ 8,580,306</u>	

CITY OF GRINNELL, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS

As of and for the year ended June 30, 2019

	Enterprise	
	Water	Sewer
Operating receipts:		
Use of money and property	\$       --	\$       8,858
Charges for service	<u>1,708,042</u>	<u>1,899,791</u>
Total operating receipts	1,708,042	1,908,649
Operating disbursements:		
Business type activities	<u>1,639,365</u>	<u>738,952</u>
Total operating disbursements	<u>1,639,365</u>	<u>738,952</u>
Excess of operating receipts over operating disbursements	68,677	1,169,697
Non-operating receipts (disbursements):		
Interest on investments	10,026	12,222
Miscellaneous	79,412	2,716
Debt proceeds	--	7,790,666
Capital projects	--	( 7,830,703)
Debt service	<u>--</u>	<u>( 136,788)</u>
Net non-operating receipts (disbursements)	89,438	( 161,887)
Excess of receipts over disbursements	158,115	1,007,810
Transfers out	<u>( 272,568)</u>	<u>( 878,536)</u>
Change in cash balances	( 114,453)	129,274
Cash balances beginning of year	<u>1,424,168</u>	<u>2,370,465</u>
Cash balances end of year	<u>\$ 1,309,715</u>	<u>\$ 2,499,739</u>
Cash Basis Fund Balances		
Restricted for:		
Debt service	\$       --	\$       64,475
Capital projects	--	924,728
Unrestricted	<u>1,309,715</u>	<u>1,510,536</u>
Total cash basis fund balances	<u>\$ 1,309,715</u>	<u>\$ 2,499,739</u>

The accompanying notes are an integral part of these statements.

	Enterprise		
Nonmajor - Solid Waste	Nonmajor - Storm Sewer		Total
\$ --	\$ --		\$ 8,858
<u>1,261,233</u>	<u>353,267</u>		<u>5,222,333</u>
1,261,233	353,267		5,231,191
<u>1,083,413</u>	<u>124,802</u>		<u>3,586,532</u>
<u>1,083,413</u>	<u>124,802</u>		<u>3,586,532</u>
177,820	228,465		1,644,659
6,391	687		29,326
3,387	--		85,515
--	--		7,790,666
--	--	(	7,830,703)
--	--	(	136,788)
<u>9,778</u>	<u>687</u>	(	<u>61,984</u> )
187,598	229,152		1,582,675
( 626,338)	( 426,390)	(	2,203,832)
( 438,740)	( 197,238)	(	621,157)
<u>955,695</u>	<u>255,318</u>		<u>5,005,646</u>
<u>\$ 516,955</u>	<u>\$ 58,080</u>		<u>\$ 4,384,489</u>
\$ --	\$ --		\$ 64,475
--	--		924,728
<u>516,955</u>	<u>58,080</u>		<u>3,395,286</u>
<u>\$ 516,955</u>	<u>\$ 58,080</u>		<u>\$ 4,384,489</u>

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Grinnell, Iowa is a political subdivision of the State of Iowa located in Poweshiek County. It was first incorporated in 1865 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, storm sewer, and solid waste utilities for its citizens.

A. Reporting Entity

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

Jointly Governed Organizations

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

B. Basis of Presentation

Government-wide Financial Statements

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 receipts are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

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:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. 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, respectively.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies 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 Equipment Replacement Fund is used to account for purchase and rental of equipment.

The Road Use 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 Employee Benefits Fund is used to account for property tax collections for the payment of payroll taxes and other employee benefits.

The Tax Increment Financing Fund is used to account for urban renewal 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 improvements.

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The City reports the following major proprietary funds:

Enterprise:

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

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

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net 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.

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Governmental Cash Basis Fund Balances

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

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

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.

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2019 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 ensure there will be no loss of public funds.

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

The City has no investments meeting the fair value disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

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

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

NOTE 3 - BONDS AND NOTES PAYABLE

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

Year Ending June 30,	General Obligation Notes & Bonds		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 2,237,000	\$ 397,390	\$ 525,000	\$ 191,141	\$ 2,762,000	\$ 588,531
2021	2,210,000	348,521	530,000	181,953	2,740,000	530,474
2022	2,257,000	300,593	560,000	172,678	2,817,000	473,271
2023	2,299,000	250,138	600,000	162,878	2,899,000	413,016
2024	2,361,000	196,178	635,000	152,378	2,996,000	348,556
2025-2029	4,658,000	331,450	3,685,000	581,904	8,343,000	913,354
2030-2034	345,000	52,740	4,140,000	241,879	4,485,000	294,619
2035-2036	150,000	6,750	247,316	4,328	397,316	11,078
	<u>\$16,517,000</u>	<u>\$1,883,760</u>	<u>\$10,922,316</u>	<u>\$1,689,139</u>	<u>\$27,439,316</u>	<u>\$3,572,899</u>

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$14,300,000, of which \$10,923,316 has been drawn as of June 30, 2019, of sewer revenue notes issued in April, 2018. Proceeds from the notes are providing financing for the construction of improvements to the sewer treatment plan. The notes are payable solely from sewer customer net receipts and are payable through 2035. Annual principal and interest payments on the notes required approximately 12% of net receipts during the year. The total principal and interest remaining to be paid on the notes is \$12,611,455. For the current year, principal and interest paid and total customer net receipts were \$136,788 and \$1,169,697, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions.

- a. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b. Sufficient transfers shall be made into a separate and special fund to pay current expenses. The fund shall be known as the Sewer Utility Operation and Maintenance Fund. There shall be deposited in the fund each month an amount sufficient to meet the current expenses of the month plus an amount equal to 1/12 of expenses payable on an annual basis such as insurance.
- c. Moneys shall next be disbursed to a separate and special fund to pay principal of and interest on the Notes and Parity Obligations known as the Sewer Revenue Note Principal and Interest Sinking Fund (the "Sinking Fund"). The required amount to be deposited in the Sinking Fund in any month shall be an amount equal to 1/6 of the installment of interest coming due on the next payment and 1/12 of the installment of principal coming due on the next payment date.

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

NOTE 4 - IPERS PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except for members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

NOTE 4 - IPERS PENSION PLAN - Continued

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.81% of covered payroll and the City contributed 10.21% of covered payroll, for a total rate of 17.02%.

The City's contributions to IPERS for the year ended June 30, 2019 totaled \$204,695.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2019, the City reported a liability of \$1,835,475 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2018, the City's proportion was 0.029004%, which was a decrease of 0.000414% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$249,316, \$487,220 and \$306,806 respectively.

There were no non-employee contributing entities to IPERS.

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

NOTE 4 - IPERS PENSION PLAN - Continued

Actuarial Assumptions - The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rate of salary increase (effective June 30, 2017)	3.25% to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	<u>100%</u>	

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

NOTE 4 - IPERS PENSION PLAN - Continued

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 3,119,301	\$ 1,835,475	\$ 758,541

IPERS' Fiduciary Net Position - Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

NOTE 5 - MFPRSI PENSION PLAN

Plan Description - Municipal Fire and Police Retirement System of Iowa (MFPRSI) membership is mandatory for fire fighters and police officers covered by the provisions of Chapter 411 of the Code of Iowa. Employees of the City of Grinnell are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by MFPRSI. MFPRSI issues a stand-alone financial report which is available to the public by mail at 7155 Lake Drive, Suite #201, West Des Moines, Iowa 50266 or at [www.mfprsi.org](http://www.mfprsi.org).

MFPRSI benefits are established under Chapter 411 of the Code of Iowa and the administrative rules thereunder. Chapter 411 of the Code of Iowa and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - Members with 4 or more years of service are entitled to pension benefits beginning at age 55. Full service retirement benefits are granted to members with 22 years of service, while partial benefits are available to those members with 4 to 22 years of service based on the ratio of years completed to years required (i.e., 22 years). Members with less than 4 years of service are entitled to a refund of their contribution only, with interest, for the period of employment.

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

NOTE 5 - MFPRSI PENSION PLAN - Continued

Benefits are calculated based upon the member's highest 3 years of compensation. The average of these 3 years becomes the member's average final compensation. The base benefit is 66% of the member's average final compensation. Members who perform more than 22 years of service receive an additional 2% of the member's average final compensation for each additional year of service, up to a maximum of 8 years. Survivor benefits are available to the beneficiary of a retired member according to the provisions of the benefit option chosen, plus an additional benefit for each child. Survivor benefits are subject to a minimum benefit for those members who chose the basic benefit with a 50% surviving spouse benefit.

Active members, at least 55 years of age with 22 or more years of service have the option to participate in the Deferred Retirement Option Program (DROP). The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3, 4, or 5 year DROP period. When electing to participate in DROP, the member signs a contract stating the member will retire at the end of the selected DROP period. During the DROP period, the member's retirement benefit is frozen and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

Disability and Death Benefits - Disability benefits may be either accidental or ordinary. Accidental disability is defined as permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60% of the member's average final compensation or the member's service retirement benefit calculation amount. Ordinary disability occurs outside the call of duty and pays benefits equivalent to the greater of 50% of the member's average final compensation for those with 5 or more years of service or the member's service retirement benefit calculation amount and 25% of average final compensation for those with less than 5 years of service.

Death benefits are similar to disability benefits. Benefits for accidental death are 50% of the average final compensation of the member plus an additional amount for each child, or the provisions for ordinary death. Ordinary death benefits consist of a pension equal to 40% of the average final compensation of the member plus an additional amount for each child, or a lump-sum distribution to the designated beneficiary equal to 50% of the previous year's earnable compensation of the member or equal to the amount of the member's total contributions plus interest.

Benefits are increased annually in accordance with Chapter 411.6 of the Code of Iowa, which provides a standard formula for the increases.

The surviving spouse or dependents of an active member who dies due to a traumatic personal injury incurred in the line of duty receives a \$100,000 lump-sum payment.

Contributions - Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2019.

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

NOTE 5 - MFPRSI PENSION PLAN - Continued

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa, the City's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 26.02% for the year ended June 30, 2019.

The City's contributions to MFPRSI for the year ended June 30, 2019 totaled \$323,371.

If approved by the State Legislature, state appropriation may further reduce the City's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State of Iowa, therefore, is considered to be a nonemployer contributing entity in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 67 - Financial Reporting for Pension Plans.

There were no state appropriations to MFPRSI during the year ended June 30, 2019.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2019, the City reported a liability of \$2,376,684 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the MFPRSI relative to the contributions of all MFPRSI participating employers. At June 30, 2018, the City's proportion was 0.399172% which was a decrease of 0.013759% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$358,456, \$617,868 and \$286,053 respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation	3.00%
Salary increases	4.50 to 15.00%, including inflation
Investment rate of return	7.50%, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2007 to June 30, 2017.

Postretirement mortality rates were based on the RP-2014 Blue Collar Combined Healthy Annuitant Table with males set-forward zero years, females set-forward two years and disabled individuals set-forward three years (male only rates), with generational projection of future mortality improvement with 50% of Scale BB beginning in 2017.

CITY OF GRINNELL, IOWA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019

NOTE 5 - MFPRSI PENSION PLAN - Continued

The long-term expected rate of return on MFPRSI investments was determined using a building-block method in which best-estimate ranges of expected future real rates (i.e., expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Large Cap	5.5%
Small Cap	5.8
International Large Cap	7.3
Emerging Markets	9.0
Emerging Market Debt	6.3
Private Non-Core Real Estate	8.0
Master Limited Partnerships	9.0
Private Equity	9.0
Core Plus Fixed Income	3.3
Private Core Real Estate	6.0
Tactical Asset Allocation	6.4

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed contributions will be made at 9.40% of covered payroll and the City's contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the MFPRSI's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on MFPRSI's investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
City's proportionate share of the net pension liability	<u>\$ 3,965,416</u>	<u>\$ 2,376,684</u>	<u>\$ 1,061,267</u>

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

NOTE 5 - MFPRSI PENSION PLAN - Continued

MFPRSI's Fiduciary Net Position - Detailed information about the MFPRSI's fiduciary net position is available in the separately issued MFPRSI financial report which is available on MFPRSI's website at [www.mfprsi.org](http://www.mfprsi.org).

NOTE 6 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation 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 and comp time, and sick leave payable to employees at June 30, 2019, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation and Comp Time	\$ 203,000
Sick Leave	<u>370,000</u>
Total	<u>\$ 573,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2019.

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

NOTE 7 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Hotel Motel Tax	\$ 67,961
	Employee Benefits	73,188
	Library Gifts	18,000
	Enterprise:	
	Water	13,000
	Sewer	13,000
		<u>185,149</u>
Special Revenue: Local Option Sales Tax	General	75,140
Special Revenue: Equipment Replacement	Special Revenue:	
	Road Use	90,000
	Capital Projects	30,000
	Debt Service	425,000
	Enterprise:	
	Solid Waste	612,500
	Storm Sewer	10,000
		<u>1,167,500</u>
Special Revenue: Insurance Reserve	Special Revenue:	
	Employee Benefits	157,866
	Enterprise:	
	Water	15,827
	Sewer	7,201
	Solid Waste	13,838
	Storm Sewer	2,164
		<u>196,896</u>
Special Revenue: Insurance Escrow	Special Revenue:	
	Employee Benefits	<u>170,314</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	1,000,776
	Road Use	187,825
	Tax Increment Financing	1,276,337
	Equipment Replacement	3,051
	Enterprise:	
	Water	64,925
		<u>2,532,914</u>

CITY OF GRINNELL, IOWA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019

NOTE 7 - INTERFUND TRANSFERS - Continued

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Capital Projects	General	\$ 406,519
	Special Revenue:	
	Local Option Sales Tax	269,978
	Road Use	172
	Hotel Motel Tax	65,000
	Tax Increment Financing	721,774
	Debt Service	245,701
	Enterprise:	
	Water	178,816
	Sewer	858,335
	Storm Sewer	414,226
		3,160,521
		\$ 7,488,434

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

NOTE 8 - RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 778 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 casualty 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 estimated for the fiscal 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 basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal 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.

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

NOTE 8 - RISK MANAGEMENT - Continued

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2019 were approximately \$162,000.

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 \$500,000 per claim. Claims exceeding \$500,000 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 \$250,000 each occurrence, each location. Property risks exceeding \$250,000 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, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

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 airport liability, construction risk, volunteer coverage, workers' compensation, and employee blanket bond. 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.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description: The City operates a single-employer health benefit plan which provides medical benefits for employees and retirees. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2019, the City contributed \$643,117 and plan members eligible for benefits contributed \$109,170 to the plan. At June 30, 2019, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits: Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical benefits as active employees, which results in an implicit rate subsidy.

CITY OF GRINNELL, IOWA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) - Continued

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	52
Total	53

NOTE 10 - HOSPITAL REVENUE REFUNDING BONDS

The City has issued a total of \$4.0 million of Hospital Revenue Refunding Bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$3.13 million is outstanding at June 30, 2019. The bonds and related interest are payable solely from the revenues of the Grinnell Regional Medical Center and the bond principal and interest do not constitute liabilities of the City.

NOTE 11 - DEFICIT BALANCE

The Storm Water Quality Projects Fund had a deficit balance at June 30, 2019 in the amount of \$27,524. The deficit balance was a result of project costs incurred and land purchased prior to availability of funds.

NOTE 12 - TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2019, \$115,363 of property tax was diverted from the City under the urban renewal and economic development projects.

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

NOTE 13 - SUBSEQUENT EVENTS

Subsequent Events

The City has evaluated all subsequent events through December 13, 2019, the date the financial statements were available to be issued.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Construction Contracts

The City has entered into several construction contracts totaling approximately \$22,839,000 that are still in process as of June 30, 2019. The net remaining amount committed to these contracts is approximately \$9,797,000, which will be paid with existing capital project funds, debt proceeds, local option sales tax revenue, tax increment financing revenues, grant proceeds, and donations.

NOTE 15 - PROSPECTIVE ACCOUNTING CHANGE

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2020. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

\* \* \*

## OTHER INFORMATION

CITY OF GRINNELL, IOWA  
 BUDGETARY COMPARISON SCHEDULE  
 OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL  
 FUNDS AND PROPRIETARY FUNDS  
 OTHER INFORMATION

Year ended June 30, 2019

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Total</u>
Receipts:			
Property tax	\$ 4,034,033	\$ --	\$ 4,034,033
Tax increment financing	2,218,739	--	2,218,739
Other city tax	2,417,947	--	2,417,947
Licenses and permits	8,132	--	8,132
Use of money and property	123,928	38,184	162,112
Intergovernmental	2,765,564	--	2,765,564
Charges for service	385,740	5,222,333	5,608,073
Miscellaneous	407,146	85,515	492,661
Total receipts	<u>12,361,229</u>	<u>5,346,032</u>	<u>17,707,261</u>
Disbursements:			
Public safety	2,189,223	--	2,189,223
Public works	2,487,930	--	2,487,930
Health and social services	1,000	--	1,000
Culture and recreation	1,413,005	--	1,413,005
Community and economic development	726,831	--	726,831
General government	1,166,458	--	1,166,458
Debt service	2,541,715	--	2,541,715
Capital projects	4,985,094	--	4,985,094
Business type activities	--	11,554,023	11,554,023
Total disbursements	<u>15,511,256</u>	<u>11,554,023</u>	<u>27,065,279</u>
Excess (deficiency) of receipts over (under) disbursements	( 3,150,027)	( 6,207,991)	( 9,358,018)
Other financing sources (uses), net	<u>2,628,832</u>	<u>5,586,834</u>	<u>8,215,666</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	( 521,195)	( 621,157)	( 1,142,352)
Balances beginning of year	<u>9,101,501</u>	<u>5,005,646</u>	<u>14,107,147</u>
Balances end of year	<u>\$ 8,580,306</u>	<u>\$ 4,384,489</u>	<u>\$ 12,964,795</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		<u>Final to Total Variance</u>
<u>Original</u>	<u>Final</u>	
\$ 4,009,988	\$ 4,010,903	\$ 23,130
2,220,329	2,220,329	( 1,590)
2,286,308	2,320,257	97,690
6,050	7,110	1,022
127,682	167,853	( 5,741)
3,931,865	2,804,039	( 38,475)
6,314,029	6,166,696	( 558,623)
<u>2,080,281</u>	<u>2,274,611</u>	<u>( 1,781,950)</u>
<u>20,976,532</u>	<u>19,971,798</u>	<u>( 2,264,537)</u>
2,294,259	2,335,122	145,899
2,548,265	2,795,770	307,840
2,000	2,000	1,000
1,563,650	1,597,245	184,240
1,128,931	1,149,547	422,716
2,271,538	2,246,347	1,079,889
2,260,997	2,542,993	1,278
15,670,436	5,836,359	851,265
<u>4,157,977</u>	<u>12,477,233</u>	<u>923,210</u>
<u>31,898,053</u>	<u>30,982,616</u>	<u>3,917,337</u>
( 10,921,521)	( 11,010,818)	1,652,800
<u>10,149,620</u>	<u>8,179,072</u>	<u>36,594</u>
( 771,901)	( 2,831,746)	1,689,394
<u>11,742,567</u>	<u>11,722,030</u>	<u>2,385,117</u>
<u>\$ 10,970,666</u>	<u>\$ 8,890,284</u>	<u>\$ 4,074,511</u>

CITY OF GRINNELL, IOWA  
NOTES TO OTHER INFORMATION -  
BUDGETARY REPORTING

June 30, 2019

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. 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, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Permanent Funds, and 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, two budget amendments decreased budgeted disbursements by \$915,437. The budget amendments are reflected in the final budgeted amounts.

See accompanying independent auditor's report.

CITY OF GRINNELL, IOWA  
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE  
 OF THE NET PENSION LIABILITY  
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 FOR THE LAST FIVE YEARS\*

OTHER INFORMATION

	<u>2019</u>	<u>2018</u>
City's proportion of the net pension liability	0.029004%	0.029418%
City's proportionate share of the net pension liability	\$ 1,835,000	\$ 1,960,000
City's covered payroll	\$ 2,187,000	\$ 2,205,000
City's proportionate share of the net pension liability as a percentage of its covered payroll	83.90%	88.89%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

Note: Amounts are rounded.

See accompanying independent auditor's report.

<u>2017</u>	<u>2016</u>	<u>2015</u>
0.030154	% 0.032385%	0.032324%
\$ 1,898,000	\$ 1,600,000	\$ 1,308,000
\$ 2,170,000	\$ 2,239,000	\$ 2,159,000
87.47%	71.46%	60.58%
81.82%	85.19%	87.61%

CITY OF GRINNELL, IOWA  
 SCHEDULE OF CITY CONTRIBUTIONS  
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 FOR THE LAST TEN YEARS

OTHER INFORMATION

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 205,000	\$ 195,000	\$ 197,000	\$ 192,000
Contributions in relation to the statutorily required contribution	<u>( 205,000)</u>	<u>( 195,000)</u>	<u>( 197,000)</u>	<u>( 192,000)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered payroll	\$ 2,180,000	\$ 2,187,000	\$ 2,205,000	\$ 2,170,000
Contributions as a percentage of covered payroll	9.40%	8.92%	8.93%	8.85%

Note: Amounts are rounded.

See accompanying independent auditor's report.

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 200,000	\$ 193,000	\$ 186,000	\$ 169,000	\$ 143,000	\$ 138,000
<u>( 200,000)</u>	<u>( 193,000)</u>	<u>( 186,000)</u>	<u>( 169,000)</u>	<u>( 143,000)</u>	<u>( 138,000)</u>
<u>\$ --</u>					
\$ 2,239,000	\$ 2,159,000	\$ 2,140,000	\$ 2,094,000	\$ 2,057,000	\$ 2,049,000
8.93%	8.93%	8.69%	8.07%	6.95%	6.73%

CITY OF GRINNELL, IOWA

NOTES TO OTHER INFORMATION - IPERS PENSION LIABILITY

YEAR ENDED JUNE 30, 2019

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

CITY OF GRINNELL, IOWA

NOTES TO OTHER INFORMATION - IPERS PENSION LIABILITY - Continued

YEAR ENDED JUNE 30, 2019

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

\* \* \*

See accompanying independent auditor's report.

CITY OF GRINNELL, IOWA

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY

MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA  
FOR THE LAST FIVE YEARS\*

OTHER INFORMATION

	<u>2019</u>	<u>2018</u>
City's proportion of the net pension liability	0.399172%	0.412931%
City's proportionate share of the net pension liability	\$ 2,377,000	\$ 2,422,000
City's covered payroll	\$ 1,160,000	\$ 1,170,000
City's proportionate share of the net pension liability as a percentage of its covered payroll	204.91%	207.01%
MFPRSI's net position as a percentage of the total pension liability	81.07%	80.60%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

Note: Amounts are rounded.

See accompanying independent auditor's report.

<u>2017</u>	<u>2016</u>	<u>2015</u>
0.406216%	0.383656%	0.407200%
\$ 2,540,000	\$ 1,802,000	\$ 1,476,000
\$ 1,101,000	\$ 1,006,000	\$ 1,006,000
230.73%	179.13%	146.72%
78.20%	83.04%	86.27%

CITY OF GRINNELL, IOWA

SCHEDULE OF CITY CONTRIBUTIONS

MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA  
FOR THE LAST TEN YEARS

OTHER INFORMATION

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 323,000	\$ 298,000	\$ 303,000	\$ 306,000
Contributions in relation to the statutorily required contribution	<u>( 323,000)</u>	<u>( 298,000)</u>	<u>( 303,000)</u>	<u>( 306,000)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered payroll	\$ 1,243,000	\$ 1,160,000	\$ 1,170,000	\$ 1,101,000
Contributions as a percentage of covered payroll	25.99%	25.69%	25.90%	27.79%

Note: Amounts are rounded.

See accompanying independent auditor's report.

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 306,000	\$ 303,000	\$ 261,000	\$ 253,000	\$ 189,000	\$ 164,000
<u>( 306,000)</u>	<u>( 303,000)</u>	<u>( 261,000)</u>	<u>( 253,000)</u>	<u>( 189,000)</u>	<u>( 164,000)</u>
<u>\$ --</u>					
\$ 1,006,000	\$ 1,006,000	\$ 997,000	\$ 1,025,000	\$ 951,000	\$ 966,000
30.41%	30.12%	26.18%	24.68%	19.87%	16.98%

CITY OF GRINNELL, IOWA

NOTES TO OTHER INFORMATION - MFPRSI PENSION LIABILITY

YEAR ENDED JUNE 30, 2019

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

The 2018 valuation changed postretirement mortality rates to the RP-2014 Blue Collar Healthy Annuitant Table with males set-forward zero years, females set-forward two years and disabled individuals set-forward three years (male only rates), with generational projection of future mortality improvement with 50% of Scale BB beginning in 2017.

The 2017 valuation added five years projection of future mortality improvement with Scale BB.

The 2016 valuation changed postretirement mortality rates to the RP-2000 Blue Collar Combined Health Mortality Table with males set-back two years, females set-forward one year and disabled individuals set-forward one year (male only rates), with no projection of future mortality improvement.

The 2015 valuation phased in the 1994 Group Annuity Mortality Table for postretirement mortality. This resulted in a weighting of 1/12 of the 1971 Group Annuity Mortality Table and 11/12 of the 1994 Group Annuity Mortality Table.

The 2014 valuation phased in the 1994 Group Annuity Mortality Table for post-retirement mortality. This resulted in a weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 of the 1994 Group Annuity Mortality Table.

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

CITY OF GRINNELL, IOWA  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2019

	Special Revenue	
	Local Option Sales Tax	Unemployment Reserve
Receipts:		
Other City tax	\$ 1,128,746	\$ --
Use of money and property	5,048	90
Miscellaneous	--	--
Total receipts	1,133,794	90
Disbursements:		
Operating:		
Public safety	--	--
Culture and recreation	--	--
Community and economic development	--	--
General government	--	--
Total disbursements	--	--
Excess (deficiency) of receipts over (under) disbursements	1,133,794	90
Other financing sources (uses):		
Transfers in	75,140	--
Transfers out	( 1,270,754)	--
Total other financing sources (uses)	( 1,195,614)	--
Change in cash balances	( 61,820)	90
Cash balances beginning of year	422,896	12,780
Cash balances end of year	\$ 361,076	\$ 12,870
Cash Basis Fund Balances		
Nonspendable - Cemetery perpetual care	\$ --	\$ --
Restricted for:		
Other purposes	361,076	12,870
Total cash basis fund balances	\$ 361,076	\$ 12,870

(continued next page)

Special Revenue				
Insurance Deductible	Insurance Reserve	Insurance Escrow	Hotel Motel Tax	Library Gifts
\$ --	\$ --	\$ --	\$ 399,590	\$ --
466	2,014	4,818	2,239	825
<u>--</u>	<u>27,753</u>	<u>--</u>	<u>16,361</u>	<u>46,234</u>
466	29,767	4,818	418,190	47,059
--	--	--	--	--
--	--	--	--	28,203
--	--	--	266,393	--
<u>--</u>	<u>179,621</u>	<u>10,995</u>	<u>--</u>	<u>--</u>
<u>--</u>	<u>179,621</u>	<u>10,995</u>	<u>266,393</u>	<u>28,203</u>
466	( 149,854)	( 6,177)	151,797	18,856
--	196,896	170,314	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>( 132,961)</u>	<u>( 18,000)</u>
<u>--</u>	<u>196,896</u>	<u>170,314</u>	<u>( 132,961)</u>	<u>( 18,000)</u>
466	47,042	164,137	18,836	856
<u>66,234</u>	<u>239,962</u>	<u>670,141</u>	<u>227,032</u>	<u>113,437</u>
<u>\$ 66,700</u>	<u>\$ 287,004</u>	<u>\$ 834,278</u>	<u>\$ 245,868</u>	<u>\$ 114,293</u>
\$ --	\$ --	\$ --	\$ --	\$ --
<u>66,700</u>	<u>287,004</u>	<u>834,278</u>	<u>245,868</u>	<u>114,293</u>
<u>\$ 66,700</u>	<u>\$ 287,004</u>	<u>\$ 834,278</u>	<u>\$ 245,868</u>	<u>\$ 114,293</u>

CITY OF GRINNELL, IOWA  
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
 AND CHANGES IN CASH BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2019

	<u>Special Revenue Police Forfeiture</u>	<u>Permanent Cemetery Perpetual Care</u>
Receipts:		
Other City tax	\$       --	\$       --
Use of money and property	104	--
Miscellaneous	<u>      20,908</u>	<u>      3,732</u>
Total receipts	21,012	3,732
Disbursements:		
Operating:		
Public safety	1,495	--
Culture and recreation	--	--
Community and economic development	--	--
General government	--	--
Total disbursements	<u>      1,495</u>	<u>          --</u>
Excess (deficiency) of receipts over (under) disbursements	19,517	3,732
Other financing sources (uses):		
Transfers in	--	--
Transfers out	<u>          --</u>	<u>          --</u>
Total other financing sources (uses)	<u>          --</u>	<u>          --</u>
Change in cash balances	19,517	3,732
Cash balances beginning of year	<u>      5,012</u>	<u>   520,372</u>
Cash balances end of year	<u>\$    24,529</u>	<u>\$    524,104</u>
Cash Basis Fund Balances		
Nonspendable - Cemetery perpetual care	\$       --	\$    524,104
Restricted for:		
Other purposes	<u>      24,529</u>	<u>          --</u>
Total cash basis fund balances	<u>\$    24,529</u>	<u>\$    524,104</u>

See accompanying independent auditor's report.

<u>Permanent Cemetery Trees</u>	<u>Total</u>
\$ --	\$ 1,528,336
--	15,604
--	114,988
<u>--</u>	<u>1,658,928</u>
--	1,495
--	28,203
--	266,393
--	190,616
<u>--</u>	<u>486,707</u>
--	1,172,221
--	442,350
<u>--</u>	<u>( 1,421,715)</u>
<u>--</u>	<u>( 979,365)</u>
--	192,856
<u>3,220</u>	<u>2,281,086</u>
<u>\$ 3,220</u>	<u>\$ 2,473,942</u>
\$ 3,220	\$ 527,324
<u>--</u>	<u>1,946,618</u>
<u>\$ 3,220</u>	<u>\$ 2,473,942</u>

CITY OF GRINNELL, IOWA  
 SCHEDULE OF INDEBTEDNESS  
 Year ended June 30, 2019

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Notes and Bonds:			
2008 Local Option Sales Tax Bonds	May 1, 2008	3.75 - 4.00%	\$ 6,500,000
2009 Urban Renewal Refunding Bonds	October 1, 2009	2.25 - 4.45%	1,900,000
2013 Urban Renewal Bonds B	December 19, 2013	2.00-2.55%	3,720,000
2014 Local Option Sales Tax Bonds	September 18, 2014	2.00-3.00%	5,995,000
2016 General Obligation Bonds A	June 20, 2016	2.00-3.00%	7,460,000
2018 Urban Renewal Capital Loan Notes	June 19, 2018	3.25%	700,000
2019 Capital Loan Notes	March 8, 2019	3.90%	425,000
Total General Obligation Notes and Bonds			
Revenue Notes:			
2018 Sewer Revenue Capital Loan Notes	April 13, 2018	1.75%	14,300,000

See accompanying independent auditor's report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
\$ 320,000	\$ --	\$ 320,000	\$ --	\$ 12,000
980,000	--	140,000	840,000	38,163
3,720,000	--	590,000	3,130,000	81,805
5,845,000	--	350,000	5,495,000	139,112
6,625,000	--	640,000	5,985,000	136,670
700,000	--	58,000	642,000	21,613
<u>--</u>	<u>425,000</u>	<u>--</u>	<u>425,000</u>	<u>--</u>
<u>\$18,190,000</u>	<u>\$ 425,000</u>	<u>\$2,098,000</u>	<u>\$ 16,517,000</u>	<u>\$ 429,363</u>
<u>\$ 3,132,650</u>	<u>\$7,790,666</u>	<u>\$ 1,000</u>	<u>\$ 10,922,316</u>	<u>\$ 135,788</u>

CITY OF GRINNELL, IOWA  
 BOND AND NOTE MATURITIES  
 June 30, 2019

General Obligation Bonds and Notes

Year ending June 30,	2009 Urban Renewal Refunding Bonds Issued October 1, 2009		2013 Urban Renewal Bonds Issued December 19, 2013		2014 Local Option Sales Tax Bonds Issued September 18, 2014	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2020	3.20%	\$ 145,000	2.00%	\$ 600,000	2.00%	\$ 690,000
2021	4.00%	65,000	2.00%	610,000	2.00%	715,000
2022	4.00%	65,000	2.25%	625,000	2.00%	735,000
2023	4.00%	70,000	2.35%	640,000	2.25%	745,000
2024	4.20%	75,000	2.55%	655,000	2.50%	760,000
2025	4.20%	75,000			2.75%	780,000
2026	4.25%	80,000			3.00%	800,000
2027	4.25%	85,000			3.00%	270,000
2028	4.45%	90,000				
2029	4.45%	90,000				
2030						
2031						
2032						
2033						
2034						
2035						
2036						
		<u>\$ 840,000</u>		<u>\$3,130,000</u>		<u>\$5,495,000</u>

(continued next page)

See accompanying independent auditor's report.

General Obligation Bonds and Notes

<u>2016 General Obligation Bonds</u>		<u>2018 Urban Renewal Capital Loan Notes</u>		<u>2019 Capital Loan Notes</u>		
<u>Issued June 20, 2016</u>		<u>Issued June 19, 2018</u>		<u>Issued March 8, 2019</u>		
<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Amount</u>
2.00%	\$ 655,000	3.25%	\$ 62,000	3.90%	\$ 85,000	\$ 2,237,000
2.00%	670,000	3.25%	65,000	3.90%	85,000	2,210,000
2.00%	680,000	3.25%	67,000	3.90%	85,000	2,257,000
2.00%	690,000	3.25%	69,000	3.90%	85,000	2,299,000
2.00%	715,000	3.25%	71,000	3.90%	85,000	2,361,000
2.00%	720,000	3.25%	73,000			1,648,000
2.00%	735,000	3.25%	76,000			1,691,000
2.00%	495,000	3.25%	78,000			928,000
2.20%	65,000	3.25%	81,000			236,000
2.20%	65,000					155,000
2.20%	65,000					65,000
2.20%	65,000					65,000
3.00%	70,000					70,000
3.00%	70,000					70,000
3.00%	75,000					75,000
3.00%	75,000					75,000
3.00%	75,000					75,000
	<u>\$5,985,000</u>		<u>\$ 642,000</u>		<u>\$ 425,000</u>	<u>\$ 16,517,000</u>

CITY OF GRINNELL, IOWA  
 BOND AND NOTE MATURITIES - Continued  
 June 30, 2019

<u>Year ending June 30,</u>	<u>Revenue Notes</u> 2018 Sewer <u>Revenue Notes</u>	
	<u>Issued April 13, 2018</u>	
	<u>Interest Rates</u>	<u>Amount</u>
2020	1.75%	\$ 525,000
2021	1.75%	530,000
2022	1.75%	560,000
2023	1.75%	600,000
2024	1.75%	635,000
2025	1.75%	675,000
2026	1.75%	715,000
2027	1.75%	750,000
2028	1.75%	765,000
2029	1.75%	780,000
2030	1.75%	795,000
2031	1.75%	810,000
2032	1.75%	830,000
2033	1.75%	845,000
2034	1.75%	860,000
2035	1.75%	<u>247,316</u>
		<u>\$ 10,922,316</u>

CITY OF GRINNELL, IOWA  
 SCHEDULE OF RECEIPTS BY SOURCE AND  
 DISBURSEMENTS BY FUNCTION -  
 ALL GOVERNMENTAL FUNDS  
 For the Last Ten Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Receipts:</b>				
Property tax	\$ 4,034,033	\$ 4,026,596	\$ 3,605,298	\$ 3,807,749
Tax increment financing	2,218,739	2,297,392	2,321,532	1,963,204
Other city tax	2,417,947	2,168,632	2,303,897	1,773,792
Licenses and permits	8,132	17,067	8,329	12,910
Use of money and property	123,928	146,603	125,390	156,706
Intergovernmental	2,765,564	2,410,010	3,316,948	2,400,351
Charges for service	385,740	583,536	815,476	485,634
Special assessments	--	--	--	--
Miscellaneous	407,146	753,963	955,764	564,966
	<u>407,146</u>	<u>753,963</u>	<u>955,764</u>	<u>564,966</u>
Total	<u>\$ 12,361,229</u>	<u>\$ 12,403,799</u>	<u>\$ 13,452,634</u>	<u>\$ 11,165,312</u>
 <b>Disbursements:</b>				
Operating:				
Public safety	\$ 2,189,223	\$ 2,065,401	\$ 2,091,413	\$ 1,971,259
Public works	2,487,930	1,422,878	1,110,449	1,518,669
Health and social services	1,000	1,200	1,223	821
Culture and recreation	1,413,005	1,351,880	1,311,774	1,322,184
Community and economic development	726,831	462,182	653,921	554,911
General government	1,166,458	1,177,654	1,376,462	1,297,022
Debt service	2,541,715	2,789,577	2,360,513	2,026,423
Capital projects	4,985,094	7,413,403	11,740,328	5,867,967
	<u>4,985,094</u>	<u>7,413,403</u>	<u>11,740,328</u>	<u>5,867,967</u>
Total	<u>\$ 15,511,256</u>	<u>\$ 16,684,175</u>	<u>\$ 20,646,083</u>	<u>\$ 14,559,256</u>

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
\$ 3,770,195	\$ 3,768,602	\$ 3,699,917	\$ 3,721,305	\$ 3,603,350	\$ 3,452,308
1,811,065	1,698,609	1,725,321	1,403,920	1,512,596	1,376,451
1,649,866	1,300,279	1,187,763	1,411,015	1,154,105	1,128,032
15,791	71,400	70,729	78,285	70,828	73,202
317,872	197,433	213,365	172,776	202,269	293,896
2,197,370	3,138,796	1,793,317	3,085,054	2,868,686	2,447,855
470,858	496,021	441,162	478,716	525,196	307,633
--	--	--	5,612	--	--
<u>664,082</u>	<u>462,930</u>	<u>1,729,822</u>	<u>2,625,965</u>	<u>3,025,026</u>	<u>1,682,009</u>
<u>\$ 10,897,099</u>	<u>\$ 11,134,070</u>	<u>\$ 10,861,396</u>	<u>\$ 12,982,648</u>	<u>\$ 12,962,056</u>	<u>\$ 10,761,386</u>
\$ 1,947,474	\$ 1,740,853	\$ 1,721,070	\$ 1,983,835	\$ 1,907,607	\$ 1,716,902
2,089,766	1,645,328	1,276,745	1,260,714	1,117,766	1,187,834
1,274	1,000	1,620	898	972	11,285
1,245,017	1,093,433	1,080,732	1,054,957	1,124,820	1,042,095
596,593	1,081,742	1,232,641	811,409	791,112	884,813
1,078,948	1,416,547	1,365,377	1,192,906	1,107,407	1,044,360
2,154,619	1,809,633	1,827,961	4,405,315	1,737,290	3,417,738
<u>3,825,114</u>	<u>4,277,032</u>	<u>1,800,931</u>	<u>4,934,388</u>	<u>5,177,493</u>	<u>11,310,062</u>
<u>\$ 12,938,805</u>	<u>\$ 13,065,568</u>	<u>\$ 10,307,077</u>	<u>\$ 15,644,422</u>	<u>\$ 12,964,467</u>	<u>\$ 20,615,089</u>

## COMMENTS AND RECOMMENDATIONS

# Gronewold, Bell, Kyhnn & Co. P.C.

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

To the Honorable Mayor and  
Members of the City Council

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the 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 Grinnell, Iowa, as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 13, 2019. 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 Grinnell's 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 Grinnell's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Grinnell's 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 of Grinnell'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 which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Honorable Mayor and  
Members of the City Council

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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies: 19-I-A.

### **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2019 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.

### **Responses to Findings**

The City of Grinnell's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City of Grinnell's 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.

*B. M. ... & Co., P.C.*

Atlantic, Iowa  
December 13, 2019

CITY OF GRINNELL, IOWA  
Schedule of Findings and Responses  
Year ended June 30, 2019

PART I: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

19-I-A Segregation of Duties:

Criteria: Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition: A limited number of people have the primary responsibility for most of the accounting and financial reporting duties.

Cause: The City has a limited number of employees which does not allow procedures to be established to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect: Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation: The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response: We will continue work in this area to increase segregation of duties.

Conclusion: Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF GRINNELL, IOWA  
Schedule of Findings and Responses  
Year ended June 30, 2019

PART II: Other Findings Related to Required Statutory Reporting

- 19-II-A Certified Budget: Disbursements during the year ended June 30, 2019 did not exceed the amounts budgeted.
- 19-II-B Questionable Disbursements: During the audit, we did not note any disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 19-II-C Travel Expense: No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.
- 19-II-D Business Transactions: In accordance with Chapter 362.5 of the Code of Iowa, no transactions between the City and the City officials and City employees were noted that represented conflicts of interest.
- 19-II-E 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 that the coverage is adequate for current operations.
- 19-II-F Council Minutes: No transactions were found that we believe should have been approved in the Council minutes but were not.
- 19-II-G 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.
- 19-II-H Revenue Notes: No instances of non-compliance with the revenue note resolutions were noted.
- 19-II-I Urban Renewal Annual Report: The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.
- 19-II-J Financial Condition: The following fund had a deficit balance at June 30, 2019.

Capital projects:	
Storm Water Quality Projects	\$ 27,524

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

Response: The deficit fund balance will be eliminated during fiscal year 2020 after the Wastewater Plant SRF Project has been completed and final grant revenue is received.

Conclusion: Response accepted.

CITY OF GRINNELL, IOWA  
Schedule of Findings and Responses  
Year ended June 30, 2019

PART II: Other Findings Related to Required Statutory Reporting - Continued

- 19-II-K Tax Increment Financing (TIF): Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid. No exceptions were noted.
- 19-II-L Transfer Resolutions: In accordance with Chapter 545-2.1 of the Code of Iowa, all interfund transfers made on or after April 17, 2019 must have an approved transfer resolution stating the purpose for the transfer, name of the fund from which the transfer is originating, name of the fund into which the transfer is being received and the dollar amount being transferred. The City did not have approved resolutions for transfers made after April 17, 2019.

Recommendation: An approved resolution should have been made in accordance with Chapter 545-2.1 of the Code of Iowa.

Response: We will make sure to approve all transfers made in the future with a proper authorized resolution.

Conclusion: Response accepted.

\* \* \*