

CITY OF GRINNELL, IOWA  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2020

CITY OF GRINNELL, IOWA  
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CITY OF GRINNELL, IOWA  
OFFICIALS  
June 30, 2020

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January, 2020)		
Dan Agnew	Mayor	January, 2020
James White	Council Member	January, 2022
Julie Davis	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
(After January, 2020)		
Dan Agnew	Mayor	January, 2022
James White	Council Member	January, 2022
Julie Davis	Council Member	January, 2022
Jo Wray	Council Member	January, 2024
Rachel Bly	Council Member	January, 2022
Byron Hueftle-Worley	Council Member	January, 2024
Lamoyne Gaard	Council Member	January, 2024
Russell Behrens	City Manager	Appointed
Ann Wingerter	City Clerk/Finance Director	Appointed
William Sueppel	City Attorney	Appointed

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

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Grinnell, Iowa, as of and for the year ended June 30, 2020, 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, 2020, 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, 2019 (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 5, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), 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 29 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.

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

As of and for the year ended June 30, 2020

		Program Receipts	
Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest	
Functions/Programs:			
Governmental activities:			
Public safety	\$ 2,221,262	\$ 66,359	\$ 8,874
Public works	1,374,041	3,483	1,189,796
Health and social services	800	--	--
Culture and recreation	1,370,460	261,979	98,792
Community and economic development	897,413	108,954	--
General government	1,112,466	23,192	156,661
Debt service	2,640,820	--	9,296
Capital projects	5,860,408	--	--
Total governmental activities	15,477,670	463,967	1,463,419
Business type activities:			
Water	1,443,797	1,786,788	--
Sewer	4,639,206	1,816,761	--
Solid waste	1,052,393	1,325,190	--
Other	102,050	361,581	--
Total business type activities	7,237,446	5,290,320	--
<b>Total</b>	<b>\$ 22,715,116</b>	<b>\$ 5,754,287</b>	<b>\$ 1,463,419</b>
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
\$ --	\$( 2,146,029)	\$ --	\$( 2,146,029)
--	( 180,762)	--	( 180,762)
--	( 800)	--	( 800)
--	( 1,009,689)	--	( 1,009,689)
--	( 788,459)	--	( 788,459)
--	( 932,613)	--	( 932,613)
--	( 2,631,524)	--	( 2,631,524)
<u>3,354,370</u>	<u>( 2,506,038)</u>	<u>--</u>	<u>( 2,506,038)</u>
<u>3,354,370</u>	<u>( 10,195,914)</u>	<u>--</u>	<u>( 10,195,914)</u>
--	--	342,991	342,991
--	--	( 2,822,445)	( 2,822,445)
--	--	272,797	272,797
<u>--</u>	<u>--</u>	<u>259,531</u>	<u>259,531</u>
<u>--</u>	<u>--</u>	<u>( 1,947,126)</u>	<u>( 1,947,126)</u>
<u>\$ 3,354,370</u>	<u>( 10,195,914)</u>	<u>( 1,947,126)</u>	<u>( 12,143,040)</u>
	4,606,203	--	4,606,203
	282,850	--	282,850
	2,573,791	--	2,573,791
	320,185	--	320,185
	1,214,678	--	1,214,678
	81,443	28,780	110,223
	--	2,766,595	2,766,595
	163,939	145,306	309,245
	<u>1,136,312</u>	<u>( 1,136,312)</u>	<u>--</u>
	<u>10,379,401</u>	<u>1,804,369</u>	<u>12,183,770</u>
	183,487	( 142,757)	40,730
	<u>8,580,306</u>	<u>4,384,489</u>	<u>12,964,795</u>
	<u>\$ 8,763,793</u>	<u>\$ 4,241,732</u>	<u>\$ 13,005,525</u>

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

As of and for the year ended June 30, 2020

	<u>Disbursements</u>	<u>Program Receipts</u>
	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted 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.

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
	\$ 530,714	\$ --	\$ 530,714
	133,166	64,254	197,420
	794,853	936,528	1,731,381
	415,528	--	415,528
	817,773	--	817,773
	1,229,594	--	1,229,594
	2,427,738	--	2,427,738
	<u>2,414,427</u>	<u>3,240,950</u>	<u>5,655,377</u>
	<u>\$ 8,763,793</u>	<u>\$ 4,241,732</u>	<u>\$ 13,005,525</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, 2020

	<u>General</u>	<u>Special Revenue</u>	
		<u>Equipment Replacement</u>	<u>Insurance Escrow</u>
Receipts:			
Property tax	\$ 2,431,551	\$ --	\$ --
Tax increment financing	--	--	--
Other city tax	855,338	--	--
Licenses and permits	9,506	--	--
Use of money and property	117,005	8,271	5,927
Intergovernmental	242,077	--	--
Charges for service	287,313	--	--
Miscellaneous	174,805	3,800	--
Total receipts	<u>4,117,595</u>	<u>12,071</u>	<u>5,927</u>
Disbursements:			
Operating:			
Public safety	1,918,853	--	--
Public works	144,881	246,614	--
Health and social services	800	--	--
Culture and recreation	1,331,405	--	--
Community and economic development	258,668	--	--
General government	324,869	--	1,855
Debt service	--	--	--
Capital projects	--	--	--
Total disbursements	<u>3,979,476</u>	<u>246,614</u>	<u>1,855</u>
Excess (deficiency) of receipts over (under) disbursements	138,119	( 234,543)	4,072
Other financing sources (uses):			
Transfers in	334,567	249,000	50,000
Transfers out	( 272,729)	( 7,629)	--
Total other financing sources (uses)	<u>61,838</u>	<u>241,371</u>	<u>50,000</u>
Change in cash balances	199,957	6,828	54,072
Cash balances beginning of year	<u>2,214,470</u>	<u>1,222,766</u>	<u>834,278</u>
Cash balances end of year	<u>\$ 2,414,427</u>	<u>\$ 1,229,594</u>	<u>\$ 888,350</u>

(continued next page)

<u>Special Revenue</u>				
<u>Tax Increment Financing</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ 280,579	\$ --	\$ 1,305,556	\$ 4,017,686
2,573,791	--	--	--	2,573,791
--	2,271	--	1,548,621	2,406,230
--	--	--	--	9,506
7,991	3,898	916	12,279	156,287
--	9,296	3,096,072	1,242,191	4,589,636
--	--	--	--	287,313
--	--	258,298	47,493	484,396
<u>2,581,782</u>	<u>296,044</u>	<u>3,355,286</u>	<u>4,156,140</u>	<u>14,524,845</u>
--	--	--	302,409	2,221,262
--	--	--	982,546	1,374,041
--	--	--	--	800
--	--	--	39,055	1,370,460
371,985	--	--	266,760	897,413
--	--	--	785,742	1,112,466
--	2,640,820	--	--	2,640,820
--	--	5,860,408	--	5,860,408
<u>371,985</u>	<u>2,640,820</u>	<u>5,860,408</u>	<u>2,376,512</u>	<u>15,477,670</u>
2,209,797	( 2,344,776)	( 2,505,122)	1,779,628	( 952,825)
--	2,535,336	2,495,494	298,183	5,962,580
( 2,279,290)	( 190,000)	( 79,149)	( 1,997,471)	( 4,826,268)
<u>( 2,279,290)</u>	<u>2,345,336</u>	<u>2,416,345</u>	<u>( 1,699,288)</u>	<u>1,136,312</u>
( 69,493)	560	( 88,777)	80,340	183,487
<u>485,021</u>	<u>132,606</u>	<u>883,630</u>	<u>2,807,535</u>	<u>8,580,306</u>
<u>\$ 415,528</u>	<u>\$ 133,166</u>	<u>\$ 794,853</u>	<u>\$ 2,887,875</u>	<u>\$ 8,763,793</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, 2020

	<u>General</u>	<u>Special Revenue</u>	
		<u>Equipment Replacement</u>	<u>Insurance Escrow</u>
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --
Restricted for:			
Debt service	--	--	--
Capital projects	--	--	--
Urban renewal purpose	--	--	--
Streets	--	--	--
Equipment	--	1,229,594	--
Other purposes	--	--	888,350
Unassigned	<u>2,414,427</u>	<u>--</u>	<u>--</u>
Total cash basis fund balances	<u>\$ 2,414,427</u>	<u>\$ 1,229,594</u>	<u>\$ 888,350</u>

The accompanying notes are an integral part of these statements.

<u>Special Revenue Tax Increment Financing</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ --	\$ --	\$ 530,714	\$ 530,714
--	133,166	--	--	133,166
--	--	794,853	--	794,853
415,528	--	--	--	415,528
--	--	--	817,773	817,773
--	--	--	--	1,229,594
--	--	--	1,539,388	2,427,738
--	--	--	--	2,414,427
<u>\$ 415,528</u>	<u>\$ 133,166</u>	<u>\$ 794,853</u>	<u>\$ 2,887,875</u>	<u>\$ 8,763,793</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, 2020

	Enterprise	
	Water	Sewer
Operating receipts:		
Use of money and property	\$           --	\$           8,487
Charges for service	<u>1,786,788</u>	<u>1,808,274</u>
Total operating receipts	1,786,788	1,816,761
Operating disbursements:		
Business type activities	<u>1,443,797</u>	<u>1,128,435</u>
Total operating disbursements	<u>1,443,797</u>	<u>1,128,435</u>
Excess of operating receipts over operating disbursements	342,991	688,326
Non-operating receipts (disbursements):		
Interest on investments	8,738	14,548
Miscellaneous	112,876	13,749
Debt proceeds	--	2,766,595
Capital projects	--	( 2,754,795)
Debt service	--	( 755,976)
Net non-operating receipts (disbursements)	<u>121,614</u>	<u>( 715,879)</u>
Excess (deficiency) of receipts over (under) disbursements	464,605	( 27,553)
Transfers out	<u>( 573,885)</u>	<u>( 242,396)</u>
Change in cash balances	( 109,280)	( 269,949)
Cash balances beginning of year	<u>1,309,715</u>	<u>2,499,739</u>
Cash balances end of year	<u>\$ 1,200,435</u>	<u>\$ 2,229,790</u>
Cash Basis Fund Balances		
Restricted for:		
Debt service	\$           --	\$           64,254
Capital projects	--	936,528
Unrestricted	<u>1,200,435</u>	<u>1,229,008</u>
Total cash basis fund balances	<u>\$ 1,200,435</u>	<u>\$ 2,229,790</u>

The accompanying notes are an integral part of these statements.

<u>Solid Waste</u>	<u>Enterprise</u>	
	<u>Nonmajor - Storm Sewer</u>	<u>Total</u>
\$ --	\$ --	\$ 8,487
<u>1,325,190</u>	<u>361,581</u>	<u>5,281,833</u>
1,325,190	361,581	5,290,320
<u>1,052,393</u>	<u>102,050</u>	<u>3,726,675</u>
<u>1,052,393</u>	<u>102,050</u>	<u>3,726,675</u>
272,797	259,531	1,563,645
4,318	1,176	28,780
15,815	2,866	145,306
--	--	2,766,595
--	--	( 2,754,795)
--	--	( 755,976)
<u>20,133</u>	<u>4,042</u>	<u>( 570,090)</u>
292,930	263,573	993,555
( 173,000)	( 147,031)	( 1,136,312)
119,930	116,542	( 142,757)
<u>516,955</u>	<u>58,080</u>	<u>4,384,489</u>
<u>\$ 636,885</u>	<u>\$ 174,622</u>	<u>\$ 4,241,732</u>
\$ --	\$ --	\$ 64,254
--	--	936,528
<u>636,885</u>	<u>174,622</u>	<u>3,240,950</u>
<u>\$ 636,885</u>	<u>\$ 174,622</u>	<u>\$ 4,241,732</u>

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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:

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, 2020

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 Insurance Escrow Fund is used to account for work related claims for the fire and police department employees that are covered by MFPRSI.

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 with the exception of those financed through Enterprise Funds.

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The City reports the following major proprietary funds:

Enterprise:

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

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

The Enterprise, Solid Waste Fund accounts for the operation of the City's residential and commercial waste collection, composting and recycling.

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.

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these finds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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. During the year ended June 30, 2020, disbursements exceeded the amount budgeted in the public works function.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2020 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, 2020

NOTE 3 - BONDS AND NOTES PAYABLE

A summary of changes in bonds and notes payable for the year ended June 30, 2020 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Governmental activities:					
General Obligation Notes/Bonds	\$ 16,517,000	\$ --	\$ 2,237,000	\$ 14,280,000	\$ 2,210,000
Business type activities:					
Sewer Revenue Notes	\$ 10,922,316	\$ 2,766,595	\$ 525,000	\$ 13,163,911	\$ 530,000

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

<u>Year Ending June 30,</u>	<u>General Obligation Notes &amp; Bonds</u>		<u>Revenue Notes</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 2,210,000	\$ 348,521	\$ 530,000	\$ 241,105	\$ 2,740,000	\$ 589,626
2022	2,257,000	300,593	560,000	231,770	2,817,000	532,363
2023	2,299,000	250,138	600,000	221,970	2,899,000	472,108
2024	2,361,000	196,178	635,000	211,470	2,996,000	407,648
2025	1,648,000	137,403	675,000	200,358	2,323,000	337,761
2026-2030	3,075,000	207,857	3,805,000	812,875	6,880,000	1,020,732
2031-2035	355,000	43,430	4,225,000	449,837	4,580,000	493,267
2036-2038	75,000	2,250	2,133,911	96,722	2,208,911	98,972
	<u>\$14,280,000</u>	<u>\$1,486,370</u>	<u>\$13,163,911</u>	<u>\$2,466,107</u>	<u>\$27,443,911</u>	<u>\$3,952,477</u>

General Obligation Bonds and Notes

On October 1, 2009, the City issued \$1,900,000 of general obligation bonds with interest rates ranging from 2.25% to 4.45% per annum. The bonds were issued for equipment purchases, acquisition of real estate and construction on Aquatic Center. During the year ended June 30, 2020, the City paid \$145,000 of principal and \$33,963 of interest on the bonds. The bonds mature in fiscal year 2029.

On December 19, 2013, the City issued \$3,720,000 of general obligation notes with interest rates ranging from 2.00% to 2.55% per annum. The notes were issued for urban renewal projects, street, water, sewer and traffic control improvements. During the year ended June 30, 2020, the City paid \$600,000 of principal and \$70,005 of interest on the notes. The notes mature in fiscal year 2024.

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

On September 18, 2014, the City issued \$5,995,000 of general obligation LOST notes with interest rates ranging from 2.00% to 3.00% per annum. The notes were issued for refunding prior general obligation notes. During the year ended June 30, 2020, the City paid \$690,000 of principal and \$132,112 of interest on the notes. The notes mature in fiscal year 2027.

On July 20, 2016, the City issued \$7,460,000 of general obligation bonds with interest rates ranging from 2.00% to 3.00% per annum. The bonds were issued for park and water improvements and urban renewal projects. During the year ended June 30, 2020, the City paid \$655,000 of principal and \$123,870 of interest on the bonds. The bonds mature in fiscal year 2036.

On June 19, 2018, the city issued \$700,000 of general obligation capital loan notes with an interest rate of 3.25%. The notes were issued for airport and park improvements and urban renewal projects. During the year ended June 30, 2020, the City paid \$62,000 of principal and \$20,305 of interest on the notes. The notes mature in fiscal year 2028.

On March 8, 2019, the City issued \$425,000 of general obligation capital loan notes with an interest rate of 3.90%. The notes were issued for costs of equipping the fire department. During the year ended June 30, 2020, the City paid \$85,000 of principal and \$20,765 of interest on the notes. The notes mature in fiscal year 2024.

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$14,300,000, of which \$13,689,911 has been drawn as of June 30, 2020, 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 carry an interest rate of 1.75% and are payable solely from sewer customer net receipts and are payable through 2038. Annual principal and interest payments on the notes required more than 100% of net receipts during the year. The total principal and interest remaining to be paid on the notes is \$15,630,018. For the current year, principal and interest paid and total customer net receipts were \$755,976 and \$688,326, 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, 2020

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, 2020

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 2020, 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 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 totaled \$216,186.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the City reported a liability of \$1,649,492 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 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, 2019, the City's proportion was 0.028485%, which was a decrease of 0.000519% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$304,899, \$260,675 and \$324,983 respectively.

There were no non-employer contributing entities to IPERS.

CITY OF GRINNELL, IOWA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2020

NOTE 4 - IPERS PENSION PLAN - Continued

Actuarial Assumptions - The total pension liability in the June 30, 2019 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, 2019 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 2019 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%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100%</u>	

CITY OF GRINNELL, IOWA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2020

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	\$ 2,936,641	\$ 1,649,492	\$ 569,855

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, 2020

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, 2020.

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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 24.41% for the year ended June 30, 2020.

The City's contributions to MFPRSI for the year ended June 30, 2020 totaled \$295,667.

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, 2020.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the City reported a liability of \$2,692,887 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019, the City's proportion was 0.410547% which was an increase of 0.011375% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$573,736, \$538,132 and \$198,750 respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation	3.00%
Salary increases	3.75 to 15.11%, including inflation
Investment rate of return	7.50%, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2019 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, 2020

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>\$ 4,384,492</u>	<u>\$ 2,692,887</u>	<u>\$ 1,291,907</u>

CITY OF GRINNELL, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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 comp time, and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and comp time, and sick leave payable to employees at June 30, 2020, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation and Comp Time	\$ 184,000
Sick Leave	<u>340,000</u>
Total	<u>\$ 524,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2020.

CITY OF GRINNELL, IOWA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2020

NOTE 7 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Hotel Motel Tax	\$ 62,500
	Employee Benefits	71,918
	Library Gifts	18,000
	Local Option Sales Tax	75,000
	Insurance Deductible	2,000
	Capital Projects	79,149
	Enterprise:	
	Water	13,000
	Sewer	13,000
		<u>334,567</u>
Special Revenue:	General	
Local Option Sales Tax		75,140
Special Revenue:	Special Revenue:	
Equipment Replacement	Road Use	80,000
	Enterprise:	
	Solid Waste	159,000
	Storm Sewer	10,000
		<u>249,000</u>
Special Revenue:	Special Revenue:	
Insurance Reserve	Employee Benefits	178,843
	Enterprise:	
	Water	15,500
	Sewer	12,500
	Solid Waste	14,000
	Storm Sewer	2,200
		<u>223,043</u>
Special Revenue:	Special Revenue:	
Insurance Escrow	Employee Benefits	50,000
Debt Service	Special Revenue:	
	Local Option Sales Tax	1,002,096
	Road Use	189,625
	Tax Increment Financing	1,274,790
	Enterprise:	
	Water	68,825
		<u>2,535,336</u>

CITY OF GRINNELL, IOWA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2020

NOTE 7 - INTERFUND TRANSFERS - Continued

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Capital Projects	General	\$ 197,589
	Special Revenue:	
	Local Option Sales Tax	29,049
	Road Use	62,488
	Hotel Motel Tax	175,952
	Tax Increment Financing	1,004,500
	Equipment Replacement	7,629
	Debt Service	190,000
	Enterprise:	
	Water	476,560
	Sewer	216,896
	Storm Sewer	134,831
		<u>2,495,494</u>
		<u>\$ 5,962,580</u>

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 779 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, 2020

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, 2020 were approximately \$163,000.

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. As of June 30, 2020, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with 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/prescription drug benefits for employees, retirees and their spouses. 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, 2020, the City contributed \$613,681 and plan members eligible for benefits contributed \$118,613 to the plan. At June 30, 2020, 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, 2020

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, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	54
Total	55

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 \$2.53 million is outstanding at June 30, 2020. 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 East Street Reconstruction Fund and 8<sup>th</sup> Avenue Street Reconstruction Fund had deficit balances at June 30, 2020 in the amount of \$35,536 and \$268, respectively. The deficit balances were a result of project costs incurred 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 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, 2020, \$155,200 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, 2020

NOTE 13 - SUBSEQUENT EVENTS

Subsequent Events

The City has evaluated all subsequent events through January 21, 2021, the date the financial statements were available to be issued.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

General Obligation Issuance

In September, 2020, the City issued \$5,000,000 of general obligation capital loan notes and \$3,125,000 of general obligation refunding capital loan notes.

Construction Contracts

The City has entered into several construction contracts totaling approximately \$18,891,000 that are still in process as of June 30, 2020. The net remaining amount committed to these contracts is approximately \$2,489,000, which will be paid with existing capital project funds, debt proceeds, local option sales tax revenue, tax increment financing revenues, grant proceeds, and donations.

\* \* \*

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, 2020

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Total</u>
<b>Receipts:</b>			
Property tax	\$ 4,017,686	\$ --	\$ 4,017,686
Tax increment financing	2,573,791	--	2,573,791
Other city tax	2,406,230	--	2,406,230
Licenses and permits	9,506	--	9,506
Use of money and property	156,287	37,267	193,554
Intergovernmental	4,589,636	--	4,589,636
Charges for service	287,313	5,281,833	5,569,146
Miscellaneous	484,396	145,306	629,702
Total receipts	<u>14,524,845</u>	<u>5,464,406</u>	<u>19,989,251</u>
<b>Disbursements:</b>			
Public safety	2,221,262	--	2,221,262
Public works	1,374,041	--	1,374,041
Health and social services	800	--	800
Culture and recreation	1,370,460	--	1,370,460
Community and economic development	897,413	--	897,413
General government	1,112,466	--	1,112,466
Debt service	2,640,820	--	2,640,820
Capital projects	5,860,408	--	5,860,408
Business type activities	--	7,237,446	7,237,446
Total disbursements	<u>15,477,670</u>	<u>7,237,446</u>	<u>22,715,116</u>
Excess (deficiency) of receipts over (under) disbursements	( 952,825)	( 1,773,040)	( 2,725,865)
Other financing sources (uses), net	<u>1,136,312</u>	<u>1,630,283</u>	<u>2,766,595</u>
Change in fund balances	183,487	( 142,757)	40,730
Balances beginning of year	<u>8,580,306</u>	<u>4,384,489</u>	<u>12,964,795</u>
Balances end of year	<u>\$ 8,763,793</u>	<u>\$ 4,241,732</u>	<u>\$ 13,005,525</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		<u>Final to Total</u>
<u>Original</u>	<u>Final</u>	<u>Variance</u>
\$ 4,019,405	\$ 4,119,184	\$( 101,498)
2,630,972	2,630,972	( 57,181)
2,330,819	2,306,378	99,852
3,550	6,834	2,672
167,527	170,494	23,060
6,914,479	5,692,190	( 1,102,554)
6,341,077	5,581,424	( 12,278)
<u>1,416,467</u>	<u>1,785,077</u>	<u>( 1,155,375)</u>
<u>23,824,296</u>	<u>22,292,553</u>	<u>( 2,303,302)</u>
2,311,714	2,310,610	89,348
1,674,443	1,354,513	( 19,528)
2,000	2,000	1,200
1,608,957	1,554,315	183,855
1,338,623	1,096,627	199,214
2,296,229	2,296,604	1,184,138
2,642,914	2,642,914	2,094
7,486,486	7,315,342	1,454,934
<u>11,314,320</u>	<u>9,486,036</u>	<u>2,248,590</u>
<u>30,675,686</u>	<u>28,058,961</u>	<u>5,343,845</u>
( 6,851,390)	( 5,766,408)	3,040,543
<u>5,899,928</u>	<u>4,125,120</u>	<u>( 1,358,525)</u>
( 951,462)	( 1,641,288)	1,682,018
<u>11,339,047</u>	<u>11,339,047</u>	<u>1,625,748</u>
<u>\$ 10,387,585</u>	<u>\$ 9,697,759</u>	<u>\$ 3,307,766</u>

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

June 30, 2020

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, one budget amendment decreased budgeted disbursements by \$2,616,725. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2020, disbursements exceeded the amount budgeted in the public works function.

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 SIX YEARS\*

OTHER INFORMATION

	<u>2020</u>	<u>2019</u>
City's proportion of the net pension liability	0.028485%	0.029004%
City's proportionate share of the net pension liability	\$ 1,649,000	\$ 1,835,000
City's covered payroll	\$ 2,180,000	\$ 2,187,000
City's proportionate share of the net pension liability as a percentage of its covered payroll	75.64%	83.90%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%

\* 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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.029418%	0.030154%	% 0.032385%	0.032324%
\$ 1,960,000	\$ 1,898,000	\$ 1,600,000	\$ 1,308,000
\$ 2,205,000	\$ 2,170,000	\$ 2,239,000	\$ 2,159,000
88.89%	87.47%	71.46%	60.58%
82.21%	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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 216,000	\$ 205,000	\$ 195,000	\$ 197,000
Contributions in relation to the statutorily required contribution	<u>( 216,000)</u>	<u>( 205,000)</u>	<u>( 195,000)</u>	<u>( 197,000)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered payroll	\$ 2,289,000	\$ 2,180,000	\$ 2,187,000	\$ 2,205,000
Contributions as a percentage of covered payroll	9.44%	9.40%	8.92%	8.93%

Note: Amounts are rounded.

See accompanying independent auditor's report.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 192,000	\$ 200,000	\$ 193,000	\$ 186,000	\$ 169,000	\$ 143,000
<u>( 192,000)</u>	<u>( 200,000)</u>	<u>( 193,000)</u>	<u>( 186,000)</u>	<u>( 169,000)</u>	<u>( 143,000)</u>
<u>\$ --</u>					
\$ 2,170,000	\$ 2,239,000	\$ 2,159,000	\$ 2,140,000	\$ 2,094,000	\$ 2,057,000
8.85%	8.93%	8.93%	8.69%	8.07%	6.95%

CITY OF GRINNELL, IOWA  
NOTES TO OTHER INFORMATION - IPERS PENSION LIABILITY  
YEAR ENDED JUNE 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

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.
- 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.

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 SIX YEARS\*

OTHER INFORMATION

	<u>2020</u>	<u>2019</u>
City's proportion of the net pension liability	0.410547%	0.399172%
City's proportionate share of the net pension liability	\$ 2,693,000	\$ 2,377,000
City's covered payroll	\$ 1,243,000	\$ 1,160,000
City's proportionate share of the net pension liability as a percentage of its covered payroll	216.65%	204.91%
MFPRSI's net position as a percentage of the total pension liability	79.94%	81.07%

\* 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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.412931%	0.406216%	0.383656%	0.407200%
\$ 2,422,000	\$ 2,540,000	\$ 1,802,000	\$ 1,476,000
\$ 1,170,000	\$ 1,101,000	\$ 1,006,000	\$ 1,006,000
207.01%	230.73%	179.13%	146.72%
80.60%	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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 296,000	\$ 323,000	\$ 298,000	\$ 303,000
Contributions in relation to the statutorily required contribution	<u>( 296,000)</u>	<u>( 323,000)</u>	<u>( 298,000)</u>	<u>( 303,000)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered payroll	\$ 1,211,000	\$ 1,243,000	\$ 1,160,000	\$ 1,170,000
Contributions as a percentage of covered payroll	24.44%	25.99%	25.69%	25.90%

Note: Amounts are rounded.

See accompanying independent auditor's report.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 306,000	\$ 306,000	\$ 303,000	\$ 261,000	\$ 253,000	\$ 189,000
<u>( 306,000)</u>	<u>( 306,000)</u>	<u>( 303,000)</u>	<u>( 261,000)</u>	<u>( 253,000)</u>	<u>( 189,000)</u>
<u>\$ --</u>					
\$ 1,101,000	\$ 1,006,000	\$ 1,006,000	\$ 997,000	\$ 1,025,000	\$ 951,000
27.79%	30.41%	30.12%	26.18%	24.68%	19.87%

CITY OF GRINNELL, IOWA  
NOTES TO OTHER INFORMATION - MFPRSI PENSION LIABILITY  
YEAR ENDED JUNE 30, 2020

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, 2020

	<u>Special Revenue</u>	
	<u>Road Use</u>	<u>Employee Benefits</u>
Receipts:		
Property tax	\$ --	\$ 1,305,556
Other City tax	--	13,758
Use of money and property	--	1,829
Intergovernmental	1,184,867	56,324
Miscellaneous	--	--
Total receipts	<u>1,184,867</u>	<u>1,377,467</u>
Disbursements:		
Operating:		
Public safety	--	295,309
Public works	982,546	--
Culture and recreation	--	--
Community and economic development	--	--
General government	--	657,280
Total disbursements	<u>982,546</u>	<u>952,589</u>
Excess (deficiency) of receipts over (under) disbursements	202,321	424,878
Other financing sources (uses):		
Transfers in	--	--
Transfers out	( 332,113)	( 300,761)
Total other financing sources (uses)	<u>( 332,113)</u>	<u>( 300,761)</u>
Change in cash balances	( 129,792)	124,117
Cash balances beginning of year	<u>947,565</u>	<u>220,306</u>
Cash balances end of year	<u>\$ 817,773</u>	<u>\$ 344,423</u>
Cash Basis Fund Balances		
Nonspendable - Cemetery perpetual care	\$ --	\$ --
Restricted for:		
Streets	817,773	--
Other purposes	<u>--</u>	<u>344,423</u>
Total cash basis fund balances	<u>\$ 817,773</u>	<u>\$ 344,423</u>

(continued next page)

Local Option Sales Tax	Unemployment Reserve	Special Revenue			Hotel Motel Tax
		Insurance Deductible	Insurance Reserve		
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
1,214,678	--	--	--	--	320,185
5,336	91	468	2,377	--	1,330
--	--	--	--	--	--
--	--	--	20,167	--	4,805
<u>1,220,014</u>	<u>91</u>	<u>468</u>	<u>22,544</u>	<u>20,167</u>	<u>326,320</u>
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
1,644	--	--	--	--	265,116
--	--	--	128,462	--	--
<u>1,644</u>	<u>--</u>	<u>--</u>	<u>128,462</u>	<u>128,462</u>	<u>265,116</u>
1,218,370	91	468	( 105,918)	--	61,204
75,140	--	--	223,043	--	--
<u>( 1,106,145)</u>	<u>--</u>	<u>( 2,000)</u>	<u>--</u>	<u>--</u>	<u>( 238,452)</u>
<u>( 1,031,005)</u>	<u>--</u>	<u>( 2,000)</u>	<u>223,043</u>	<u>--</u>	<u>( 238,452)</u>
187,365	91	( 1,532)	117,125	--	( 177,248)
<u>361,076</u>	<u>12,870</u>	<u>66,700</u>	<u>287,004</u>	<u>--</u>	<u>245,868</u>
<u>\$ 548,441</u>	<u>\$ 12,961</u>	<u>\$ 65,168</u>	<u>\$ 404,129</u>	<u>\$ --</u>	<u>\$ 68,620</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--
<u>548,441</u>	<u>12,961</u>	<u>65,168</u>	<u>404,129</u>	<u>--</u>	<u>68,620</u>
<u>\$ 548,441</u>	<u>\$ 12,961</u>	<u>\$ 65,168</u>	<u>\$ 404,129</u>	<u>\$ --</u>	<u>\$ 68,620</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, 2020

	Special Revenue	
	Library Gifts	Police Forfeiture
Receipts:		
Property tax	\$ --	\$ --
Other City tax	--	--
Use of money and property	682	166
Intergovernmental	1,000	--
Miscellaneous	17,813	1,318
Total receipts	19,495	1,484
Disbursements:		
Operating:		
Public safety	--	7,100
Public works	--	--
Culture and recreation	39,055	--
Community and economic development	--	--
General government	--	--
Total disbursements	39,055	7,100
Excess (deficiency) of receipts over (under) disbursements	( 19,560)	( 5,616)
Other financing sources (uses):		
Transfers in	--	--
Transfers out	( 18,000)	--
Total other financing sources (uses)	( 18,000)	--
Change in cash balances	( 37,560)	( 5,616)
Cash balances beginning of year	114,293	24,529
Cash balances end of year	\$ 76,733	\$ 18,913
Cash Basis Fund Balances		
Nonspendable - Cemetery perpetual care	\$ --	\$ --
Restricted for:		
Streets	--	--
Other purposes	76,733	18,913
Total cash basis fund balances	\$ 76,733	\$ 18,913

See accompanying independent auditor's report.

Permanent			
Cemetery Perpetual Care	Cemetery Trees	Total	
\$ --	\$ --	\$ 1,305,556	
--	--	1,548,621	
--	--	12,279	
--	--	1,242,191	
<u>3,390</u>	--	<u>47,493</u>	
3,390	--	4,156,140	
--	--	302,409	
--	--	982,546	
--	--	39,055	
--	--	266,760	
<u>--</u>	<u>--</u>	<u>785,742</u>	
<u>--</u>	<u>--</u>	<u>2,376,512</u>	
3,390	--	1,779,628	
--	--	298,183	
<u>--</u>	<u>--</u>	<u>( 1,997,471)</u>	
<u>--</u>	<u>--</u>	<u>( 1,699,288)</u>	
3,390	--	80,340	
<u>524,104</u>	<u>3,220</u>	<u>2,807,535</u>	
<u>\$ 527,494</u>	<u>\$ 3,220</u>	<u>\$ 2,887,875</u>	
\$ 527,494	\$ 3,220	\$ 530,714	
--	--	817,773	
<u>--</u>	<u>--</u>	<u>1,539,388</u>	
<u>\$ 527,494</u>	<u>\$ 3,220</u>	<u>\$ 2,887,875</u>	

CITY OF GRINNELL, IOWA  
 SCHEDULE OF INDEBTEDNESS  
 Year ended June 30, 2020

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
<b>General Obligation Bonds and Notes:</b>			
2009 Capital Loan Notes	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 Refunding Capital Loan Notes	September 18, 2014	2.00-3.00%	5,995,000
2016 General Obligation Bonds A	July 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
<b>Total General Obligation Bonds and Notes</b>			
<b>Revenue Notes:</b>			
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>
\$ 840,000	\$ --	\$ 145,000	\$ 695,000	\$ 33,963
3,130,000	--	600,000	2,530,000	70,005
5,495,000	--	690,000	4,805,000	132,112
5,985,000	--	655,000	5,330,000	123,870
642,000	--	62,000	580,000	20,305
<u>425,000</u>	<u>--</u>	<u>85,000</u>	<u>340,000</u>	<u>20,765</u>
<u>\$16,517,000</u>	<u>\$ --</u>	<u>\$2,237,000</u>	<u>\$ 14,280,000</u>	<u>\$ 401,020</u>
<u>\$10,922,316</u>	<u>\$2,766,595</u>	<u>\$ 525,000</u>	<u>\$ 13,163,911</u>	<u>\$ 230,976</u>

CITY OF GRINNELL, IOWA  
BOND AND NOTE MATURITIES  
June 30, 2020

General Obligation Bonds and Notes

<u>Year ending June 30,</u>	<u>2009 Capital Loan Notes Issued October 1, 2009</u>		<u>2013 Urban Renewal Bonds B Issued December 19, 2013</u>		<u>2014 Local Option Sales Tax Refunding Capital Loan Notes Issued September 18, 2014</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
	2021	4.00%	\$ 65,000	2.00%	\$ 610,000	2.00%
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>\$ 695,000</u>		<u>\$2,530,000</u>		<u>\$4,805,000</u>

(continued next page)

See accompanying independent auditor's report.

General Obligation Bonds and Notes

<u>2016 General Obligation Bonds A</u>		<u>2018 Urban Renewal Capital Loan Notes</u>		<u>2019 Capital Loan Notes</u>		<u>Total</u>
<u>Issued July 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>	
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>\$5,330,000</u>		<u>\$ 580,000</u>		<u>\$ 340,000</u>	<u>\$ 14,280,000</u>

CITY OF GRINNELL, IOWA  
 BOND AND NOTE MATURITIES - Continued  
 June 30, 2020

<u>Year ending June 30,</u>	<u>Revenue Notes</u>	
	<u>2018 Sewer Revenue Capital Loan Notes</u>	
	<u>Issued April 13, 2018</u>	
	<u>Interest Rates</u>	<u>Amount</u>
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%	880,000
2036	1.75%	895,000
2037	1.75%	915,000
2038	1.75%	323,911
		<u>\$ 13,163,911</u>

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Receipts:</b>				
Property tax	\$ 4,017,686	\$ 4,034,033	\$ 4,026,596	\$ 3,605,298
Tax increment financing	2,573,791	2,218,739	2,297,392	2,321,532
Other city tax	2,406,230	2,417,947	2,168,632	2,303,897
Licenses and permits	9,506	8,132	17,067	8,329
Use of money and property	156,287	123,928	146,603	125,390
Intergovernmental	4,589,636	2,765,564	2,410,010	3,316,948
Charges for service	287,313	385,740	583,536	815,476
Special assessments	--	--	--	--
Miscellaneous	<u>484,396</u>	<u>407,146</u>	<u>753,963</u>	<u>955,764</u>
Total	<u>\$ 14,524,845</u>	<u>\$ 12,361,229</u>	<u>\$ 12,403,799</u>	<u>\$ 13,452,634</u>
 <b>Disbursements:</b>				
Operating:				
Public safety	\$ 2,221,262	\$ 2,189,223	\$ 2,065,401	\$ 2,091,413
Public works	1,374,041	2,487,930	1,422,878	1,110,449
Health and social services	800	1,000	1,200	1,223
Culture and recreation	1,370,460	1,413,005	1,351,880	1,311,774
Community and economic development	897,413	726,831	462,182	653,921
General government	1,112,466	1,166,458	1,177,654	1,376,462
Debt service	2,640,820	2,541,715	2,789,577	2,360,513
Capital projects	<u>5,860,408</u>	<u>4,985,094</u>	<u>7,413,403</u>	<u>11,740,328</u>
Total	<u>\$ 15,477,670</u>	<u>\$ 15,511,256</u>	<u>\$ 16,684,175</u>	<u>\$ 20,646,083</u>

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
\$ 3,807,749	\$ 3,770,195	\$ 3,768,602	\$ 3,699,917	\$ 3,721,305	\$ 3,603,350
1,963,204	1,811,065	1,698,609	1,725,321	1,403,920	1,512,596
1,773,792	1,649,866	1,300,279	1,187,763	1,411,015	1,154,105
12,910	15,791	71,400	70,729	78,285	70,828
156,706	317,872	197,433	213,365	172,776	202,269
2,400,351	2,197,370	3,138,796	1,793,317	3,085,054	2,868,686
485,634	470,858	496,021	441,162	478,716	525,196
--	--	--	--	5,612	--
<u>564,966</u>	<u>664,082</u>	<u>462,930</u>	<u>1,729,822</u>	<u>2,625,965</u>	<u>3,025,026</u>
<u>\$ 11,165,312</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>
\$ 1,971,259	\$ 1,947,474	\$ 1,740,853	\$ 1,721,070	\$ 1,983,835	\$ 1,907,607
1,518,669	2,089,766	1,645,328	1,276,745	1,260,714	1,117,766
821	1,274	1,000	1,620	898	972
1,322,184	1,245,017	1,093,433	1,080,732	1,054,957	1,124,820
554,911	596,593	1,081,742	1,232,641	811,409	791,112
1,297,022	1,078,948	1,416,547	1,365,377	1,192,906	1,107,407
2,026,423	2,154,619	1,809,633	1,827,961	4,405,315	1,737,290
<u>5,867,967</u>	<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>\$ 14,559,256</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>

CITY OF GRINNELL, IOWA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2020

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Direct:			
U.S. Department of Transportation: Federal Aviation Administration: Airport Improvement Program	20.106	3-19-0039-015-2018	\$ 2,930,137
Total direct			2,930,137
Indirect:			
U.S. Department of Homeland Security: Iowa Department of Homeland Security and Emergency Management: Disaster Grants - Public Assistance	97.036		147,173
Total indirect			147,173
			<u>\$ 3,077,310</u>

Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of City of Grinnell under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Grinnell, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Grinnell.

Summary of Significant Accounting Policies - Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate - The City of Grinnell has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.

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, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 21, 2021. 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 Questioned Costs that we consider to be significant deficiencies: 20-II-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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 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 Questioned Costs. 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.

*James W. Hall, CPA, Chartered, P.C.*

Atlantic, Iowa  
January 21, 2021

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

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## Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Honorable Mayor and  
Members of the City Council

### **Report on Compliance for Each Major Federal Program**

We have audited the City of Grinnell, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the City of Grinnell's major federal program for the year ended June 30, 2020. The City of Grinnell's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the City of Grinnell's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Grinnell's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Grinnell's compliance.



CITY OF GRINNELL, IOWA  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2020

PART I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements. The audit did not disclose any material weaknesses in internal control over financial reporting.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The audit did not disclose any material weaknesses or significant deficiencies in internal control over the major program.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose any audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was CFDA Number 20.106 - Airport Improvement Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City of Grinnell did not qualify as a low-risk auditee.

CITY OF GRINNELL, IOWA

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

PART II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

20-II-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 Questioned Costs

Year ended June 30, 2020

PART III: Findings and Questioned Costs For Federal Awards

CFDA Number 20.106: Airport Improvement Program  
Federal Award Year: 2018  
U.S. Department of Transportation

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

PART IV: Other Findings Related to Required Statutory Reporting

20-IV-A Certified Budget: Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the public works function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

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

Response: The Sanitation Replacement Fund expenditures were incorrectly assigned as a business type activity instead of a public works activity. The budget will be amended in the future, if applicable

Conclusion: Response accepted.

20-IV-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.

20-IV-C Travel Expense: No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.

20-IV-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.

20-IV-E Restricted Donor Activity: No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

20-IV-F 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.

CITY OF GRINNELL, IOWA

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

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

20-IV-G City Council Minutes: No transactions were found that we believe should have been approved in the Council minutes but were not.

20-IV-H 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.

20-IV-I Revenue Notes: No instances of non-compliance with the revenue note resolutions were noted.

20-IV-J 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.

20-IV-K Financial Condition: The following funds had a deficit balance at June 30, 2020.

Capital projects:	
East Street Reconstruction	\$ 35,536
8 <sup>th</sup> Avenue Street Reconstruction	268

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

Response: These deficit fund balances will be eliminated during fiscal year 2021 after the East Street Reconstruction Project has been completed and final grant revenue is received and when Road Use Tax funds are received.

Conclusion: Response accepted.

20-IV-L 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.

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