

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

JUNE 30, 2009

CITY OF GRINNELL, IOWA
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CITY OF GRINNELL, IOWA
OFFICIALS
June 30, 2009

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gordon Canfield	Mayor	January, 2010
James White	Council Member	January, 2010
Oliva Wright	Council Member	January, 2010
Stephen Witt	Council Member	January, 2012
Shannon McNaul	Council Member	January, 2010
Larry Wilson	Council Member	January, 2012
Byron Worley	Council Member	January, 2012
Russell Behrens	City Manager	Appointed
P. Kay Cmelik	City Clerk/Finance Director	Appointed
William Sueppel	City Attorney	Appointed

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

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DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Grinnell, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of city officials. 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 and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by officials, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Grinnell as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 29, 2009 on our consideration of the City of Grinnell's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

To the Honorable Mayor and
Members of the City Council

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 4e and 20 through 21 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise City of Grinnell's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2008 (none of which are presented herein) and expressed unqualified opinions, which were prepared in conformity with an other comprehensive basis of accounting. The financial statements for the three years ended June 30, 2007 (none of which are presented herein), were audited by other auditors whose reports expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Grinnell, Ben, Kohn & Co. P.C.

Atlantic, Iowa
December 29, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the non-major governmental funds.

BASIS OF ACCOUNTING

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

Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

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

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

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and solid waste funds, considered to be major funds of the city.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's balance for governmental activities decreased approximately \$1,931,000 from a year ago. The analysis that follows focuses on the cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2009	2008
Receipts		
Program Receipts		
Charges for Service	\$232	\$497
Operating Grants	994	1,446
Capital Grants	4,333	667
General Receipts		
TIF	1,127	922
Property Tax	3,374	3,094
Debt Proceeds	3,700	6,700
Other General Receipts	1,976	2,347
Total Receipts	<u>15,736</u>	<u>15,673</u>
Disbursements		
Public Safety	1,598	1,595
Public Works	1,009	1,626
Culture and Recreation	946	827
Community and Economic Development	924	1,065
General Government	1,029	1,004
Debt Service	941	509
Capital projects	11,625	5,434
Total Disbursements	<u>18,072</u>	<u>12,060</u>
Change in Cash Basis Net Assets Before Transfers	(2,336)	3,613
Transfers, net	405	441
Increase (Decrease) in Cash Basis Net Assets	(1,931)	4,054
Cash Basis Net Assets Beginning of Year	<u>11,079</u>	<u>7,025</u>
Cash Basis Net Assets End of Year	<u>\$ 9,148</u>	<u>\$11,079</u>

The City's total receipts for governmental activities increased .40% or \$63,000. The total cost of all programs and services increased by approximately 50% or \$6,012,000, due to an increase in capital projects expenditures.

The cost of all governmental activities this year was approximately \$18,072,000 compared to approximately \$12,060,000 last year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2009	2008
Receipts		
Program Receipts		
Charges for Service		
Water	\$929	\$1,010
Sewer	1,317	1,379
Garbage	971	997
Other	245	206
	3,462	3,592
General Receipts		
Bonds Proceeds	27	0
Other General Receipts	70	165
Total Receipts	3,559	3,757
Disbursements		
Water	1,027	950
Sewer	1,187	1,096
Garbage	818	885
Other	68	195
Total Disbursements	3,100	3,126
Change in Cash Basis Net Assets Before Transfers	459	631
Transfers, net	(405)	(441)
Increase in Cash Balance	54	190
Cash Basis Net Assets - Beginning of Year	2,041	1,851
Cash Basis Net Assets - End of Year	\$2,095	\$2,041

Total business type activities receipts for the fiscal year were approximately \$3,559,000 compared to approximately \$3,757,000 last year. The cash balance increased by approximately 3% or \$54,000 from the prior year. Total disbursements and transfers for the fiscal year decreased by approximately .8% to a total of approximately \$3,100,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Grinnell completed the year, its governmental funds reported a combined fund balance of \$9,148,232, a decrease of \$1,930,819 from last year's total of \$11,079,051. The following are changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased by \$315,844 from the prior year to \$1,152,422.
- The Equipment Rentals Fund cash balance decreased by \$259,201 to \$888,956.
- The Capital Projects Fund cash balance decreased by \$1,625,054 to \$4,855,081.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$212,519 to \$90,079.
- The Sewer Fund cash balance increased by \$47,271 to \$1,441,818.
- The Solid Waste cash balance increased by \$112,221 to \$200,394.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once, which decreased budgeted disbursements by \$4,138,032. The budget decreases were primarily for disbursements in the business type activities and capital projects.

The City's total receipts and disbursements were less than budgeted by \$1,773,007 and \$3,995,903, respectively. The City's disbursements were less than amounts budgeted for all of the functions.

DEBT ADMINISTRATION

At June 30, 2009, the City had approximately \$18,415,285 in bonds and other long-term debt, compared to \$15,417,128 last year as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2009	2008
General Obligation Notes and Bonds	\$16,338	\$13,067
Revenue Notes	2,077	2,350
Total	\$18,415	\$15,417

The City continues to carry a general obligation bond rating of A3 assigned by national rating agencies to the City's debt since 1995. The Constitution of the State of Iowa Limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$18,415,285 is below its constitutional debt limit.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City of Grinnell elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates, and fees that will be charged for various City activities.

The Local Options Sales and Service Tax has allowed Grinnell to complete and pursue some large capital projects i.e. Drake Community Library Project, Public Safety Building Project and Grinnell Mutual Family Aquatic Center Project. These revenues allow us to abate the General Obligation Bonds Principal and Interest rather than raising the debt service levy. We will also see the Tax Increment Financing dollars being utilized to assist with the continuation of the Central Business District phases of development; TIF Rebate Agreements and future economic development projects.

The Sewer rates will likely see some increases over the next few years due to the required improvements to our wastewater treatment plant. The new Storm Water Utility will provide for future capital projects to daily operations which lessen the burden to the sanitary sewer fund as well as the general fund.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. Inflation has been modest here due in part to the slowing of the residential housing market and increases in energy prices.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact P. Kay Cmelik, City Clerk, Grinnell, Iowa.

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

As of and for the year ended June 30, 2009

	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Program Receipts</u> Operating Grants, Contributions, and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 1,597,813	\$ 10,309	\$ 53,346
Public works	1,009,404	763	758,940
Culture and recreation	946,258	160,146	17,152
Community and economic development	924,032	56,251	164,208
General government	1,029,102	4,153	--
Debt service	940,726	--	--
Capital projects	<u>11,624,953</u>	<u>--</u>	<u>--</u>
Total governmental activities	<u>18,072,288</u>	<u>231,622</u>	<u>993,646</u>
Business type activities:			
Water	1,026,780	928,530	--
Sewer	1,186,757	1,316,792	--
Solid waste	818,069	971,292	--
Other	<u>68,461</u>	<u>245,204</u>	<u>--</u>
Total business type activities	<u>3,100,067</u>	<u>3,461,818</u>	<u>--</u>
Total	<u>\$ 21,172,355</u>	<u>\$ 3,693,440</u>	<u>\$ 993,646</u>
General Receipts:			
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 assets			
Cash basis net assets beginning of year			
Cash basis net assets end of year			

(continued next page)

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
\$ --	\$(1,534,158)	\$ --	\$(1,534,158)
--	(249,701)	--	(249,701)
--	(768,960)	--	(768,960)
--	(703,573)	--	(703,573)
--	(1,024,949)	--	(1,024,949)
--	(940,726)	--	(940,726)
<u>4,333,481</u>	<u>(7,291,472)</u>	<u>--</u>	<u>(7,291,472)</u>
<u>4,333,481</u>	<u>(12,513,539)</u>	<u>--</u>	<u>(12,513,539)</u>
--	--	(98,250)	(98,250)
--	--	130,035	130,035
--	--	153,223	153,223
<u>--</u>	<u>--</u>	<u>176,743</u>	<u>176,743</u>
<u>--</u>	<u>--</u>	<u>361,751</u>	<u>361,751</u>
<u>\$ 4,333,481</u>			
	2,788,999	--	2,788,999
	584,647	--	584,647
	1,126,535	--	1,126,535
	268,914	--	268,914
	855,967	--	855,967
	326,197	40,646	366,843
	3,700,000	27,300	3,727,300
	526,661	28,636	555,297
	404,800	(404,800)	--
	<u>10,582,720</u>	<u>(308,218)</u>	<u>10,274,502</u>
	(1,930,819)	53,533	(1,877,286)
	<u>11,079,051</u>	<u>2,041,291</u>	<u>13,120,342</u>
	<u>\$ 9,148,232</u>	<u>\$ 2,094,824</u>	<u>\$ 11,243,056</u>

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

As of and for the year ended June 30, 2009

	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Program Receipts</u> Operating Grants, Contributions, and Restricted Interest
Cash Basis Net Assets			
Restricted:			
Streets			
Equipment rentals			
Capital projects			
Urban renewal purposes			
Debt service			
Other purposes			
Unrestricted			
Total cash basis net assets			

The accompanying notes are an integral part of these statements.

<u>Program Receipts</u> Capital Grants, Contributions, and Restricted Interest	<u>Net (Disbursements) Receipts and Changes in Cash Basis Net Assets</u>		
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
	\$ 234,862	\$ --	\$ 234,862
	888,956	--	888,956
	4,855,081	--	4,855,081
	341,529	--	341,529
	93,514	--	93,514
	1,581,868	--	1,581,868
	<u>1,152,422</u>	<u>2,094,824</u>	<u>3,247,246</u>
	<u>\$ 9,148,232</u>	<u>\$ 2,094,824</u>	<u>\$ 11,243,056</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, 2009

	General	Special Revenue Equipment Rentals
Receipts:		
Property tax	\$ 1,954,637	\$ --
Tax increment financing	--	--
Other city tax	7,040	--
Licenses and permits	70,469	--
Use of money and property	171,251	17,129
Intergovernmental	306,056	--
Charges for service	196,393	--
Miscellaneous	320,161	--
Total receipts	3,026,007	17,129
Disbursements:		
Operating:		
Public safety	1,429,324	--
Public works	260,518	--
Culture and recreation	931,109	1,254
Community and economic development	378,457	--
General government	438,807	--
Debt service	--	--
Capital projects	--	634,276
Total disbursements	3,438,215	635,530
Excess (deficiency) of receipts over (under) disbursements	(412,208)	(618,401)
Other financing sources (uses):		
Debt proceeds	--	--
Operating transfers in	111,364	359,200
Operating transfers out	(15,000)	--
Total other financing sources (uses)	96,364	359,200
Net change in cash balances	(315,844)	(259,201)
Cash balances beginning of year	1,468,266	1,148,157
Cash balances end of year	\$ 1,152,422	\$ 888,956

(continued next page)

<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ 1,411,969	\$ 3,366,606
--	1,126,535	1,126,535
--	1,124,881	1,131,921
--	--	70,469
119,451	18,366	326,197
1,168,922	774,608	2,249,586
--	--	196,393
<u>3,185,236</u>	<u>63,565</u>	<u>3,568,962</u>
<u>4,473,609</u>	<u>4,519,924</u>	<u>12,036,669</u>
--	168,489	1,597,813
--	748,886	1,009,404
--	13,895	946,258
--	545,575	924,032
--	590,295	1,029,102
--	940,726	940,726
<u>10,990,677</u>	<u>--</u>	<u>11,624,953</u>
<u>10,990,677</u>	<u>3,007,866</u>	<u>18,072,288</u>
(6,517,068)	1,512,058	(6,035,619)
3,700,000	--	3,700,000
1,493,273	383,145	2,346,982
<u>(301,259)</u>	<u>(1,625,923)</u>	<u>(1,942,182)</u>
<u>4,892,014</u>	<u>(1,242,778)</u>	<u>4,104,800</u>
(1,625,054)	269,280	(1,930,819)
<u>6,480,135</u>	<u>1,982,493</u>	<u>11,079,051</u>
<u>\$ 4,855,081</u>	<u>\$ 2,251,773</u>	<u>\$ 9,148,232</u>

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

As of and for the year ended June 30, 2009

	General	Special Revenue Equipment Rentals
Cash Basis Fund Balances		
Reserved for debt service	\$ --	\$ --
Unreserved:		
General fund	1,152,422	--
Special revenue funds	--	888,956
Capital projects funds	--	--
Permanent funds	--	--
Total cash basis fund balances	\$ 1,152,422	\$ 888,956

The accompanying notes are an integral part of these statements.

<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ 93,514	\$ 93,514
--	--	1,152,422
--	1,637,508	2,526,464
4,855,081	--	4,855,081
<u>--</u>	<u>520,751</u>	<u>520,751</u>
<u>\$ 4,855,081</u>	<u>\$ 2,251,773</u>	<u>\$ 9,148,232</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, 2009

	Enterprise	
	Water	Sewer
Operating receipts:		
Use of money and property	\$ --	\$ 4,690
Charges for service	<u>928,530</u>	<u>1,312,102</u>
Total operating receipts	928,530	1,316,792
Operating disbursements:		
Business type activities	<u>1,026,780</u>	<u>805,482</u>
Total operating disbursements	<u>1,026,780</u>	<u>805,482</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	(98,250)	511,310
Non-operating receipts (disbursements):		
Interest on investments	5,972	27,091
Miscellaneous	20,759	845
Debt proceeds	5,000	22,300
Debt service	<u>--</u>	<u>(381,275)</u>
Total non-operating receipts (disbursements)	<u>31,731</u>	<u>(331,039)</u>
Excess (deficiency) of receipts over (under) disbursements	(66,519)	180,271
Other financing uses:		
Operating transfers out	<u>(146,000)</u>	<u>(133,000)</u>
Total other financing uses	<u>(146,000)</u>	<u>(133,000)</u>
Net change in cash balances	(212,519)	47,271
Cash balances beginning of year	<u>302,598</u>	<u>1,394,547</u>
Cash balances end of year	<u>\$ 90,079</u>	<u>\$ 1,441,818</u>
Cash Basis Fund Balances		
Unreserved:		
Enterprise funds	<u>\$ 90,079</u>	<u>\$ 1,441,818</u>
Total cash basis fund balances	<u>\$ 90,079</u>	<u>\$ 1,441,818</u>

The accompanying notes are an integral part of these statements.

<u>Solid Waste</u>	<u>Enterprise</u>	
	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ --	\$ 4,690
<u>971,292</u>	<u>245,204</u>	<u>3,457,128</u>
971,292	245,204	3,461,818
<u>818,069</u>	<u>68,461</u>	<u>2,718,792</u>
<u>818,069</u>	<u>68,461</u>	<u>2,718,792</u>
153,223	176,743	743,026
2,766	4,817	40,646
7,032	--	28,636
--	--	27,300
<u>--</u>	<u>--</u>	<u>(381,275)</u>
<u>9,798</u>	<u>4,817</u>	<u>(284,693)</u>
163,021	181,560	458,333
<u>(50,800)</u>	<u>(75,000)</u>	<u>(404,800)</u>
<u>(50,800)</u>	<u>(75,000)</u>	<u>(404,800)</u>
112,221	106,560	53,533
<u>88,173</u>	<u>255,973</u>	<u>2,041,291</u>
<u>\$ 200,394</u>	<u>\$ 362,533</u>	<u>\$ 2,094,824</u>
<u>\$ 200,394</u>	<u>\$ 362,533</u>	<u>\$ 2,094,824</u>
<u>\$ 200,394</u>	<u>\$ 362,533</u>	<u>\$ 2,094,824</u>

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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, 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.

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds and remaining proprietary funds are aggregated and reported as nonmajor governmental funds or nonmajor proprietary 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 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 that are not paid from other funds.

Special Revenue:

The Equipment Rentals Fund is used to account for purchase and rental of equipment.

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Capital Projects Fund is used to account for the acquisition and construction of capital improvements.

The City reports the following major proprietary funds:

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

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

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

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

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

D. Budgets and Budgetary Accounting

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

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City has investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of approximately \$1,032,000 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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.

Credit risk - The City's investment in the Iowa Public Agency Investment Trust is unrated.

NOTE 3 - BONDS AND NOTES PAYABLE

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

Year Ending June 30,	General Obligation Notes & Bonds		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 509,737	\$ 626,901	\$ 315,000	\$ 72,175	\$ 824,737	\$ 699,076
2011	970,370	572,561	325,000	62,095	1,295,370	634,656
2012	1,001,044	544,360	325,000	51,208	1,326,044	595,568
2013	1,176,761	513,722	350,000	39,995	1,526,761	553,717
2014	1,207,526	475,475	360,000	27,570	1,567,526	503,045
2015 - 2019	5,882,547	1,702,197	375,000	14,250	6,257,547	1,716,447
2020 - 2024	3,260,000	836,026	--	--	3,260,000	836,026
2025 - 2027	2,330,000	189,000	--	--	2,330,000	189,000
	<u>\$ 16,337,985</u>	<u>\$ 5,460,242</u>	<u>\$ 2,050,000</u>	<u>\$ 267,293</u>	<u>\$ 18,387,985</u>	<u>\$ 5,727,535</u>

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund. However, during the year, \$641,293 of general obligation bond principal and interest was paid from the Special Revenue, Tax Increment Financing Fund.

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$3,775,000 in sewer revenue refunding capital loan notes issued in May, 2003. Proceeds from the notes provided financing for the refunding of the City's 1993 Sewer Revenue Notes. The notes are payable solely from sewer customer net receipts and are payable through 2015. Annual principal and interest payments on the notes are expected to require less than 75 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$2,317,293. For the current year, principal and interest paid and total customer net receipts were approximately \$381,000 and \$511,000, 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 monthly transfers shall be made to a separate sewer revenue note sinking account within the Enterprise Fund for the purpose of making the note principal and interest payments when due.
- (c) Sufficient monthly transfers shall be made to a sewer revenue note reserve account within the Enterprise Fund until specific minimum balances have been accumulated. This account is restricted for the purpose of paying for principal and interest on the notes when insufficient money is available in the sinking account.
- (d) Additional monthly transfers of \$2,000 to a sewer revenue note improvement account within the Enterprise Fund shall be made until specific minimum balances have been accumulated. This account is restricted for the purpose of paying for principal and interest on the notes when insufficient money is available in the sinking and reserve accounts, and available for extraordinary expenses or repairs, capital improvements and extensions to the utility.

NOTE 4 - PENSION AND RETIREMENT BENEFITS

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

Most regular plan members are required to contribute 4.10% (4.30% effective July 1, 2009) of their annual covered salary and the City is required to contribute 6.35% (6.65% effective July 1, 2009) of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were approximately \$120,500, \$110,100, and \$103,400, respectively, equal to the required contribution for each year.

CITY OF GRINNELL, IOWA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

NOTE 4 - PENSION AND RETIREMENT BENEFITS - Continued

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, Suite 201, West Des Moines, Iowa 50266.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate may not be less than 17.0% of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ended June 30, 2009, 2008, and 2007 were approximately \$164,900, \$206,600, and \$221,600, respectively, which exceeds the required minimum contribution for each year.

NOTE 5 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation 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, 2009, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation and Comp Time	\$ 57,100
Sick Leave	<u>128,100</u>
Total	<u>\$ 185,200</u>

This liability has been computed based on rates of pay in effect at June 30, 2009.

CITY OF GRINNELL, IOWA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

NOTE 6 - INTERFUND TRANSFERS

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Employee Benefits	\$ 60,364
	Tax Increment Financing	25,000
	Enterprise:	
	Water	13,000
	Sewer	13,000
		<u>111,364</u>
Special Revenue: Pension Reserve	General Fund	8,000
Debt Service	Special Revenue: Local Option Sales Tax	375,145
Special Revenue: Equipment Rental	General Fund	7,000
	Special Revenue:	
	Road Use	63,250
	Capital Projects:	
	Capital Loan	40,150
	Enterprise:	
	Water	133,000
	Solid Waste	50,800
	Sewer	65,000
		<u>359,200</u>
Capital Projects	Special Revenue:	
	Tax Increment Financing	129,052
	Hotel Motel Tax	45,000
	Local Option Sales Tax	481,641
	Debt Service	446,471
	Capital Projects:	
	Capital Loan	146,109
	CBD	115,000
	Enterprise:	
	Storm Sewer	75,000
	Sewer	55,000
		<u>1,493,273</u>
		<u>\$ 2,346,982</u>

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

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 7 - INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued a total of \$10.8 million of Industrial Development Revenue Bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$8.1 million is outstanding at June 30, 2009. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

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 577 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 has been no reduction in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2009 were approximately \$147,595.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each accident, each location, with excess coverage reinsured by The Travelers Insurance Company.

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 8 - RISK MANAGEMENT - Continued

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2009 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 claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund for the capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from the other insurers for the coverage associated with airport liability, 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)

The City implemented GASB Statement No. 45 Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions during the year ended June 30, 2009.

Plan Description: As required by state law, the City offers health insurance to former employees who have retired after age 55, but have not reached Medicare eligibility. The fully insured plan is a part of the plan offered to all City employees, and the retiree must pay a health insurance premium equal to that charged for current employees.

Potential for Liability: A review of the City's current and potential future exposure to this requirement resulted in the conclusion that no material liability exists.

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 10 - SUBSEQUENT EVENTS

The City issued two separate revenue notes dated July 1, 2009. The proceeds of the Water Revenue Capital Loan Notes, Series 2009A in the amount of \$500,000 were issued to pay for a portion of the costs of constructing improvements to the municipal water utility. Earnest money on these notes was received in June, 2009 in the amount of \$5,000. The Series 2009A Notes carry an interest rate of 3.00% and mature beginning in fiscal year 2011 through fiscal year 2015. The proceeds of the Sewer Revenue Capital Loan Notes, Series 2009B in the amount of \$2,210,000 were issued to current refund the Sewer Revenue Capital Loan Notes, Series 2003, and pay for a portion of the costs of constructing improvements and extensions to the municipal sewer utility. Earnest money on these notes was received in June, 2009 in the amount of \$22,300. The Series 2009B Notes carry interest rates of 2.75% - 3.00% and mature beginning in fiscal year 2010 through fiscal year 2015.

The City has evaluated all subsequent events through December 29, 2009, the date the financial statements were available to be issued.

* * *

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GRINNELL, IOWA
 BUDGETARY COMPARISON SCHEDULE
 OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL
 FUNDS AND PROPRIETRY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION

Year ended June 30, 2009

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Total</u>
Receipts:			
Property tax	\$ 3,366,606	\$ --	\$ 3,366,606
Tax increment financing	1,126,535	--	1,126,535
Other city tax	1,131,921	--	1,131,921
Licenses and permits	70,469	--	70,469
Use of money and property	326,197	45,336	371,533
Intergovernmental	2,249,586	--	2,249,586
Charges for service	196,393	3,457,128	3,653,521
Miscellaneous	<u>3,568,962</u>	<u>28,636</u>	<u>3,597,598</u>
Total receipts	<u>12,036,669</u>	<u>3,531,100</u>	<u>15,567,769</u>
Disbursements:			
Public safety	1,597,813	--	1,597,813
Public works	1,009,404	--	1,009,404
Culture and recreation	946,258	--	946,258
Community and economic development	924,032	--	924,032
General government	1,029,102	--	1,029,102
Debt service	940,726	--	940,726
Capital projects	11,624,953	--	11,624,953
Business type activities	--	3,100,067	3,100,067
Total disbursements	<u>18,072,288</u>	<u>3,100,067</u>	<u>21,172,355</u>
Excess (deficiency) of receipts over (under) disbursements	(6,035,619)	431,033	(5,604,586)
Other financing sources (uses), net	<u>4,104,800</u>	<u>(377,500)</u>	<u>3,727,300</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,930,819)	53,533	(1,877,286)
Balances beginning of year	<u>11,079,051</u>	<u>2,041,291</u>	<u>13,120,342</u>
Balances end of year	<u>\$ 9,148,232</u>	<u>\$ 2,094,824</u>	<u>\$ 11,243,056</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>
\$ 3,305,608	\$ 3,305,608	\$ 60,998
1,088,230	1,088,230	38,305
1,349,689	1,354,189	(222,268)
3,200	2,013	68,456
321,768	374,208	(2,675)
4,566,121	2,858,590	(609,004)
4,287,410	4,244,754	(591,233)
<u>5,803,688</u>	<u>4,113,184</u>	<u>(515,586)</u>
<u>20,725,714</u>	<u>17,340,776</u>	<u>(1,773,007)</u>
1,632,011	1,640,168	42,355
1,668,994	1,785,719	776,315
1,143,654	972,848	26,590
1,197,210	1,102,491	178,459
1,214,193	1,124,020	94,918
1,043,714	1,044,114	103,388
17,157,931	13,559,500	1,934,547
<u>4,248,583</u>	<u>3,939,398</u>	<u>839,331</u>
<u>29,306,290</u>	<u>25,168,258</u>	<u>3,995,903</u>
(8,580,576)	(7,827,482)	2,222,896
<u>3,804,350</u>	<u>3,688,900</u>	<u>38,400</u>
(4,776,226)	(4,138,582)	2,261,296
<u>12,404,497</u>	<u>12,406,163</u>	<u>714,179</u>
<u>\$ 7,628,271</u>	<u>\$ 8,267,581</u>	<u>\$ 2,975,475</u>

CITY OF GRINNELL, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY REPORTING

June 30, 2009

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted included 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 \$4,138,032. The budget amendments are reflected in the final budgeted amount.

OTHER 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, 2009

	Special Revenue		
	Insurance Escrow	Hotel Motel Tax	Library Gifts
Receipts:			
Property tax	\$ --	\$ --	\$ --
Tax increment financing	--	--	--
Other City tax	--	268,914	--
Use of money and property	--	1,523	2,047
Intergovernmental	--	2,016	17,152
Miscellaneous	--	11,023	2,421
Total receipts	--	283,476	21,620
Disbursements:			
Operating:			
Public safety	--	--	--
Public works	--	--	--
Culture and recreation	--	--	13,895
Community and economic development	--	228,508	--
General government	--	--	--
Debt service	--	--	--
Total disbursements	--	228,508	13,895
Excess (deficiency) of receipts over (under) disbursements	--	54,968	7,725
Other financing sources (uses):			
Operating transfers in	--	--	--
Operating transfers out	--	(45,000)	--
Total other financing sources (uses)	--	(45,000)	--
Net change in cash balances	--	9,968	7,725
Cash balances beginning of year	9,482	226,783	257,345
Cash balances end of year	\$ 9,482	\$ 236,751	\$ 265,070
Cash Basis Fund Balances			
Reserved for debt service	\$ --	\$ --	\$ --
Unreserved:			
Special revenue funds	9,482	236,751	265,070
Permanent funds	--	--	--
Total cash basis fund balances	\$ 9,482	\$ 236,751	\$ 265,070

(continued next page)

Tax Increment Financing	Unemployment Reserve	Special Revenue		
		Pension Reserve	Insurance Deductible	Insurance Reserve
\$ --	\$ --	\$ --	\$ --	\$ --
1,126,535	--	--	--	--
--	--	--	--	--
4,468	169	--	579	351
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>20,467</u>
<u>1,131,003</u>	<u>169</u>	<u>--</u>	<u>579</u>	<u>20,818</u>
--	--	3,628	--	--
--	--	--	--	--
--	--	--	--	--
317,067	--	--	--	--
--	--	--	2,000	23,806
<u>641,293</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>958,360</u>	<u>--</u>	<u>3,628</u>	<u>2,000</u>	<u>23,806</u>
172,643	169	(3,628)	(1,421)	(2,988)
--	--	8,000	--	--
<u>(154,052)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>(154,052)</u>	<u>--</u>	<u>8,000</u>	<u>--</u>	<u>--</u>
18,591	169	4,372	(1,421)	(2,988)
<u>322,938</u>	<u>35,561</u>	<u>2,190</u>	<u>76,205</u>	<u>61,535</u>
<u>\$ 341,529</u>	<u>\$ 35,730</u>	<u>\$ 6,562</u>	<u>\$ 74,784</u>	<u>\$ 58,547</u>
\$ --	\$ --	\$ --	\$ --	\$ --
341,529	35,730	6,562	74,784	58,547
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>\$ 341,529</u>	<u>\$ 35,730</u>	<u>\$ 6,562</u>	<u>\$ 74,784</u>	<u>\$ 58,547</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, 2009

	Special Revenue		
	Road Use	Employee Benefits	Local Option Sales Tax
Receipts:			
Property tax	\$ --	\$ 827,322	\$ --
Tax increment financing	--	--	--
Other City tax	--	--	855,967
Use of money and property	--	2,462	824
Intergovernmental	755,440	--	--
Miscellaneous	--	2,806	--
Total receipts	755,440	832,590	856,791
Disbursements:			
Operating:			
Public safety	--	164,861	--
Public works	748,886	--	--
Culture and recreation	--	--	--
Community and economic development	--	--	--
General government	--	557,877	--
Debt service	--	--	--
Total disbursements	748,886	722,738	--
Excess (deficiency) of receipts over (under) disbursements	6,554	109,852	856,791
Other financing sources (uses):			
Operating transfers in	--	--	--
Operating transfers out	(63,250)	(60,364)	(856,786)
Total other financing sources (uses)	(63,250)	(60,364)	(856,786)
Net change in cash balances	(56,696)	49,488	5
Cash balances beginning of year	291,558	298,782	--
Cash balances end of year	\$ 234,862	\$ 348,270	\$ 5
Cash Basis Fund Balances			
Reserved for debt service	\$ --	\$ --	\$ --
Unreserved:			
Special revenue funds	234,862	348,270	5
Permanent funds	--	--	--
Total cash basis fund balances	\$ 234,862	\$ 348,270	\$ 5

See accompanying independent auditor's report.

Schedule 1

Special Revenue			Permanent			
Police Forfeiture	Debt Service	Cemetery Perpetual Care	Cemetery Trees	West Pine		Total
\$ --	\$ 584,647	\$ --	\$ --	\$ --	\$ --	\$ 1,411,969
--	--	--	--	--	--	1,126,535
--	--	--	--	--	--	1,124,881
506	5,001	--	--	436	--	18,366
--	--	--	--	--	--	774,608
<u>12,000</u>	<u>--</u>	<u>14,688</u>	<u>160</u>	<u>--</u>	<u>--</u>	<u>63,565</u>
<u>12,506</u>	<u>589,648</u>	<u>14,688</u>	<u>160</u>	<u>436</u>	<u>--</u>	<u>4,519,924</u>
--	--	--	--	--	--	168,489
--	--	--	--	--	--	748,886
--	--	--	--	--	--	13,895
--	--	--	--	--	--	545,575
6,612	--	--	--	--	--	590,295
--	<u>299,433</u>	--	--	--	--	<u>940,726</u>
<u>6,612</u>	<u>299,433</u>	--	--	--	--	<u>3,007,866</u>
5,894	290,215	14,688	160	436	--	1,512,058
--	375,145	--	--	--	--	383,145
--	(446,471)	--	--	--	--	(1,625,923)
--	(71,326)	--	--	--	--	(1,242,778)
5,894	218,889	14,688	160	436	--	269,280
<u>20,022</u>	<u>(125,375)</u>	<u>488,063</u>	<u>1,710</u>	<u>15,694</u>	<u>--</u>	<u>1,982,493</u>
<u>\$ 25,916</u>	<u>\$ 93,514</u>	<u>\$ 502,751</u>	<u>\$ 1,870</u>	<u>\$ 16,130</u>	<u>\$ --</u>	<u>\$ 2,251,773</u>
\$ --	\$ 93,514	\$ --	\$ --	\$ --	\$ --	\$ 93,514
25,916	--	--	--	--	--	1,637,508
--	--	<u>502,751</u>	<u>1,870</u>	<u>16,130</u>	--	<u>520,751</u>
<u>\$ 25,916</u>	<u>\$ 93,514</u>	<u>\$ 502,751</u>	<u>\$ 1,870</u>	<u>\$ 16,130</u>	<u>\$ --</u>	<u>\$ 2,251,773</u>

CITY OF GRINNELL, IOWA
 SCHEDULE OF INDEBTEDNESS
 Year ended June 30, 2009

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Notes and Bonds:			
2005 Bonds	January 1, 2005	2.20% - 3.55%	\$ 3,500,000
2006 B Capital Loan Note	May 15, 2006	6.50%	108,755
2007 Urban Renewal Bonds	June 1, 2007	3.70-3.85%	3,500,000
2008 Refunding Capital Loan Notes	April 1, 2008	4.40%	200,000
2008 Local Option Sales Tax Bonds	May 1, 2008	3.70 - 4.00%	6,500,000
2009 Local Option Sales Tax Bonds	February 1, 2009	2.40 - 3.80%	3,700,000
Total General Obligation Notes and Bonds			
Revenue Notes:			
2003 Sewer Refunding Capital Loan Notes	May 1, 2003	2.80-3.80%	3,775,000
2009 Water Revenue Capital Loan Note Series A	July 1, 2009	3.00%	500,000
2009 Sewer Revenue Capital Loan Note Series B	July 1, 2009	2.75 - 3.00%	2,210,000
Total Revenue Notes			

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>	<u>Interest Due and Unpaid</u>
\$ 2,975,000	\$ --	\$ 295,000	\$ 2,680,000	\$ 96,868	\$ 7,396
92,128	--	9,143	82,985	5,988	443
3,300,000	--	125,000	3,175,000	124,425	9,983
200,000	--	--	200,000	10,287	2,194
6,500,000	--	--	6,500,000	273,135	21,010
<u>--</u>	<u>3,700,000</u>	<u>--</u>	<u>3,700,000</u>	<u>--</u>	<u>47,508</u>
<u>\$13,067,128</u>	<u>\$3,700,000</u>	<u>\$ 429,143</u>	<u>\$ 16,337,985</u>	<u>\$ 510,703</u>	<u>\$ 88,534</u>
\$ 2,350,000	\$ --	\$ 300,000	\$ 2,050,000	\$ 80,875	\$ 6,015
--	5,000	--	5,000	--	--
<u>--</u>	<u>22,300</u>	<u>--</u>	<u>22,300</u>	<u>--</u>	<u>--</u>
<u>\$ 2,350,000</u>	<u>\$ 27,300</u>	<u>\$ 300,000</u>	<u>\$ 2,077,300</u>	<u>\$ 80,875</u>	<u>\$ 6,015</u>

CITY OF GRINNELL, IOWA
BOND AND NOTE MATURITIES
June 30, 2009

Year ending June 30,	General Obligation Bonds and Notes					
	2005 Series		2006 B Capital Loan Note		2007 Urban Renewal Bonds	
	Issued January 1, 2005		Issued May 15, 2006		Issued June 1, 2007	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2010	3.00%	\$ 400,000	6.50%	\$ 9,737	3.70%	\$ 100,000
2011	3.15	425,000	6.50	10,370	3.70	100,000
2012	3.30	440,000	6.50	11,044	3.70	100,000
2013	3.35	455,000	6.50	11,761	3.70	200,000
2014	3.35	475,000	6.50	12,526	3.70	200,000
2015	3.55	485,000	6.50	13,340	3.70	200,000
2016		--	6.50	14,207	3.75	700,000
2017		--		--	3.80	775,000
2018		--		--	3.85	800,000
2019		--		--		--
2020		--		--		--
2021		--		--		--
2022		--		--		--
2023		--		--		--
2024		--		--		--
2025		--		--		--
2026		--		--		--
2027		--		--		--
		<u>\$2,680,000</u>		<u>\$ 82,985</u>		<u>\$3,175,000</u>

Year ending June 30,	Revenue Notes	
	2003 Sewer Refunding Notes	
	Issued May 1, 2003	
Interest Rate	Amount	
2010	3.20%	\$ 315,000
2011	3.35	325,000
2012	3.45	325,000
2013	3.55	350,000
2014	3.70	360,000
2015	3.80	375,000
		<u>\$2,050,000</u>

See accompanying independent auditor's report.

General Obligation Bonds and Notes						
2008 Local Option Sales Tax Bonds		2008 Refunding Capital Loan Notes		2009 Local Option Sales Tax Bonds		Total
Issued May 1, 2008		Issued April 1, 2008		Issued February 1, 2009		
Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	
-- %	\$ --	-- %	\$ --	-- %	\$ --	\$ 509,737
--	--	--	--	2.40	435,000	970,370
--	--	--	--	2.60	450,000	1,001,044
--	--	4.40	35,000	2.80	475,000	1,176,761
--	--	4.40	25,000	3.00	495,000	1,207,526
--	--	4.40	25,000	3.20	515,000	1,238,340
--	--	4.40	65,000	3.40	540,000	1,319,207
--	--	4.40	25,000	3.60	565,000	1,365,000
3.750	340,000	4.40	25,000	3.80	225,000	1,390,000
3.750	570,000	--	--	--	--	570,000
3.750	595,000	--	--	--	--	595,000
3.750	625,000	--	--	--	--	625,000
3.875	650,000	--	--	--	--	650,000
3.875	680,000	--	--	--	--	680,000
3.875	710,000	--	--	--	--	710,000
4.000	745,000	--	--	--	--	745,000
4.000	775,000	--	--	--	--	775,000
4.000	810,000	--	--	--	--	810,000
	<u>\$6,500,000</u>		<u>\$ 200,000</u>		<u>\$3,700,000</u>	<u>\$ 16,337,985</u>

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Receipts:					
Property tax	\$ 3,366,606	\$ 3,087,015	\$ 2,999,391	\$ 3,056,035	\$ 3,070,756
Tax increment financing	1,126,535	922,033	868,911	503,377	495,897
Other city tax	1,131,921	1,386,718	8,125	70,911	61,123
Licenses and permits	70,469	60,571	3,619	14,309	19,090
Use of money and property	326,197	249,572	207,611	123,410	110,910
Intergovernmental	2,249,586	2,167,720	1,764,014	2,864,425	1,053,762
Charges for service	196,393	468,998	189,815	221,497	258,076
Special assessments	--	848	6,629	15,039	2,133
Miscellaneous	<u>3,568,962</u>	<u>629,659</u>	<u>2,603,867</u>	<u>1,290,592</u>	<u>1,417,407</u>
Total	<u>\$ 12,036,669</u>	<u>\$ 8,973,134</u>	<u>\$ 8,651,982</u>	<u>\$ 8,159,595</u>	<u>\$ 6,489,154</u>
Disbursements:					
Operating:					
Public safety	\$ 1,597,813	\$ 1,595,471	\$ 1,813,974	\$ 1,768,132	\$ 1,632,680
Public works	1,009,404	1,625,587	1,722,727	778,029	676,135
Culture and recreation	946,258	826,726	1,084,280	876,011	767,961
Community and economic development	924,032	1,064,758	1,874,595	974,415	667,509
General government	1,029,102	1,004,039	962,178	1,037,363	904,880
Debt service	940,726	509,432	356,601	696,402	949,402
Capital projects	<u>11,624,953</u>	<u>5,434,166</u>	<u>2,302,993</u>	<u>6,303,046</u>	<u>2,065,574</u>
Total	<u>\$ 18,072,288</u>	<u>\$ 12,060,179</u>	<u>\$ 10,117,348</u>	<u>\$ 12,433,398</u>	<u>\$ 7,664,141</u>

See accompanying independent auditor's report.

CITY OF GRINNELL, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2009

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Direct:			
U.S. Department of Housing and Urban Development:			
Economic Development Initiative- Special Project, Neighborhood Initiative and Miscellaneous Grants			
	14.251	B-04-SP-IA 0256	\$ 15,000
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grant Program			
	14.228	08-HSG-008	133,337
U.S. Department of Justice:			
Iowa Department of Justice:			
Polk County Sheriff's Office: Edward Byrne Memorial Justice Assistance Grant Program			
	16.738		12,587
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction			
	20.205	EDP-3127(616)-7Y-79	208,874
Airport Improvement Program			
	20.106	AIP-3-19-0039-06	105,772
Airport Improvement Program			
	20.106	AIP-3-19-0039-07	<u>25,982</u>
			131,754
Iowa Department of Public Safety:			
Safety Belt Performance Grant			
	20.209		405
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Iowa Healthy Communities Initiative			
	93.283	58890B16	<u>3,638</u>
			<u>\$ 505,595</u>

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

See accompanying independent auditor's report.

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 the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of City of Grinnell, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 29, 2009. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Grinnell's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Grinnell's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Grinnell's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

To the Honorable Mayor and
Members of the City Council

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Grinnell's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Grinnell's financial statements that is more than inconsequential will not be prevented or detected by the City of Grinnell's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Grinnell's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in 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, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

To the Honorable Mayor and
Members of the City Council

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

Grinnell, Ben, Kymon & Co. P.C.

Atlantic, Iowa
December 29, 2009

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

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

To the Honorable Mayor and
Members of the City Council

Compliance

We have audited the compliance of the City of Grinnell with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2009. The City of Grinnell's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs are the responsibility of the City of Grinnell's management. Our responsibility is to express an opinion on the City of Grinnell's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance 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 as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Grinnell's compliance with those requirements.

In our opinion, the City of Grinnell complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2009.

To the Honorable Mayor and
Members of the City Council

Internal Control Over Compliance

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

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness.

A control deficiency in the City's internal control over compliance 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 non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 09-III-A to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

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

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

Grinnell, Ben, Kyhn & W.P.C.

Atlantic, Iowa
December 29, 2009

CITY OF GRINNELL, IOWA
Schedule Of Findings And Questioned Costs
Year ended June 30, 2009

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and cash disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, which are not considered to be material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over the major programs was disclosed by the audit of the financial statements, which is not considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit did not disclose audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
 - CFDA Number 20.205 - Highway Planning and Construction
 - CFDA Number 20.106 - Airport Improvement Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) 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, 2009

PART II: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES:

09-II-A Segregation of Duties: One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. However, because there are a limited number of people that have the primary responsibility for the accounting and financial duties, those aspects of internal accounting control which rely upon an adequate segregation of duties are missing in the City.

Recommendation: We recommend that the City review its control procedures to obtain the maximum internal control possible under the circumstances and the Council be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

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, 2009

PART III: Findings and Questioned Costs For Federal Awards

SIGNIFICANT DEFICIENCIES:

CFDA Number 20.205: Highway Planning and Construction
Pass-through Agency Number: EDP-3127(616)-7Y-79
Federal Award Year: 2008
U.S. Department of Transportation
Passed through the Iowa Department of Transportation

CFDA Number 20.106: Airport Improvement Program
Pass-through Agency Number: AIP-3-19-0039-06/AIP-3-19-0039-07
Federal Award Year: 2008/2009
U.S. Department of Transportation
Passed through the Iowa Department of Transportation

09-III-A Segregation of Duties over Federal Programs: The City did not properly segregate all accounting and financial reporting duties, including those related to federal programs. See item 09-II-A.

PART IV: Other Findings Related to Statutory Reporting

09-IV-A Certified Budget: Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted.

09-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.

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

09-IV-D Business Transactions: In accordance with Chapter 362.5(10) of the Code of Iowa, no transactions between the City and the City officials and City employees were noted that represented conflicts of interest.

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

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

CITY OF GRINNELL, IOWA

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

PART IV: Other Findings Related to Statutory Reporting - Continued

09-IV-G Deposits and Investments: We noted no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa.

09-IV-H Revenue Bonds: The City has complied with the revenue bond resolutions.

09-IV-I Payment of General Obligation Bonds: Certain general obligation bonds were paid from the Special Revenue, Tax Increment Financing Fund. Chapter 384.4 of the Code of Iowa states, in part "Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund."

Recommendation: The City should transfer from the Special Revenue, Tax Increment Financing Fund to the Debt Service Fund for future funding contributions. Payments of the bonds should then be disbursed from the Debt Service Fund.

Response: We will transfer in the future as recommended.

Conclusion: Response accepted.

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