

CITY OF GRINNELL, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

CITY OF GRINNELL, IOWA
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CITY OF GRINNELL, IOWA
OFFICIALS
June 30, 2015

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gordon Canfield	Mayor	January, 2016
James White	Council Member	January, 2018
Julie Hansen	Council Member	January, 2018
Jo Wray	Council Member	January, 2016
Rachel Bly	Council Member	January, 2018
Sondra Burnell	Council Member	January, 2016
Byron Hueftle-Worley	Council Member	January, 2016
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 L. HANNASCH
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DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Grinnell, Iowa, as of and for the year ended June 30, 2015, and the related notes to the 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 financial statement presentation.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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, 2015, 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.

Emphasis of a Matter

As disclosed in Notes 5 and 6 to the financial statements, City of Grinnell adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was performed 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 seven years ended June 30, 2014 (none of which are presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the two years ended June 30, 2007 (none of which are presented herein), were audited by other auditors whose report expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements.

The supplementary information included in page 1 and pages 38 through 43, 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. 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 City's Management's Discussion and Analysis, 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 5 through 5f and 29 through 37, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

To the Honorable Mayor and
Members of the City Council

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 9, 2015 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 on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Grinnell's internal control over financial reporting and compliance.

Grinnell, Ben, Kynan + Co. P. C.

Atlantic, Iowa
December 9, 2015

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, 2015. 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 Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

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

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

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

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

BASIS OF ACCOUNTING

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

Therefore, when reviewing the financial information and discussion within this annual report, 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 Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

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

The Cash Basis Statement of Activities and Net Position are 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, the sanitary sewer system, solid waste, and storm sewer activities. 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 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 statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's balance for governmental activities decreased approximately \$547,000 from a year ago. The analysis that follows focuses on the cash balances for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2015	2014
Receipts		
Program Receipts		
Charges for Service	\$851	\$789
Operating Grants	1,411	1,117
Capital Grants	1,110	2,222
General Receipts		
TIF	1,811	1,699
Property Tax	4,027	3,835
Debt Proceeds	5,995	4,009
Other General Receipts	2,075	1,472
Total Receipts	17,280	15,143
Disbursements		
Public Safety	1,947	1,741
Public Works	2,090	1,645
Health and Social Services	1	1
Culture and Recreation	1,245	1,093
Community and Economic Development	597	1,082
General Government	1,079	1,417
Debt Service	2,155	1,810
Capital Projects	3,825	4,277
Bonds Refunded	5,840	--
Total Disbursements	18,779	13,066
Change in Cash Basis Net Position Before Transfers	(1,499)	2,077
Transfers, net	952	761
Change in Cash Basis Net Position	(547)	2,838
Cash Basis Net Position Beginning of Year	9,214	6,376
Cash Basis Net Position End of Year	8,667	9,214

The City's total receipts for governmental activities increased 14.1% or approximately \$2,137,000. The total cost of all programs and services increased by approximately 43.7% or approximately \$5,713,000, due to the refunding of the Series 2008 Local Option Sales Tax Bonds.

The cost of all governmental activities this year was approximately \$18,779,000 compared to approximately \$13,066,000 last year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2015	2014
Receipts		
Program Receipts		
Charges for Service		
Water	\$1,600	\$1,409
Sewer	1,579	1,584
Solid waste	1,141	1,158
Storm sewer	298	287
	<u>4,618</u>	<u>4,438</u>
General Receipts		
Other General Receipts	167	201
Total Receipts	<u>4,785</u>	<u>4,639</u>
Disbursements		
Water	1,363	1,419
Sewer	1,098	1,218
Solid waste	951	956
Storm sewer	195	215
Total Disbursements	<u>3,607</u>	<u>3,808</u>
Change in Cash Basis Net Position Before Transfers	1,178	831
Transfers, net	<u>(952)</u>	<u>(761)</u>
Change in Cash Basis Net Position	226	70
Cash Basis Net Position - Beginning of Year	<u>2,573</u>	<u>2,503</u>
Cash Basis Net Position - End of Year	<u>2,799</u>	<u>2,573</u>

Total business type activities receipts for the fiscal year were approximately \$4,785,000 compared to approximately \$4,639,000 last year. The cash balance increased by approximately 8.8% or \$226,000 from the prior year. Total disbursements and transfers for the fiscal year decreased by approximately 0.2% to a total of approximately \$4,559,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Grinnell completed the year, its governmental funds reported a combined fund balance of \$8,666,570, a decrease of \$547,527 from last year's total of \$9,214,097. The following are changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased by \$75,635 from the prior year to \$1,198,910.
- The Equipment Replacement Fund cash balance decreased by \$318,598 to \$2,074,527.
- The Urban Renewal Tax Increment Fund cash balance increased \$59,350 to \$257,225.
- The Employee Benefit Fund cash balance increased \$130,455 to \$481,157.
- The Debt Service Fund cash balance increased \$7,569 to \$147,712.
- The Capital Projects Fund cash balance decreased by \$1,224,006 to \$2,137,851.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$213,477 to \$506,555.
- The Sewer Fund cash balance decreased by \$110,910 to \$1,053,284.
- The Solid Waste cash balance increased by \$104,329 to \$454,702.
- The Storm Sewer cash balance increased by \$19,398 to \$784,880.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget twice, which increased budgeted disbursements by \$5,835,905. The budget increase was primarily for disbursements in the debt service function.

The City's total receipts and disbursements were less than budgeted by \$1,847,781 and \$8,927,829, respectively. The City's disbursements were less than amounts budgeted for all of the functions.

DEBT ADMINISTRATION

At June 30, 2015, the City had \$11,789,207 in bonds and other long-term debt, compared to \$13,337,547 last year as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30,	
	2015	2014
General Obligation Notes and Bonds	\$11,789	\$13,008
Revenue Notes	--	330
Total	\$11,789	\$13,338

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 \$11,789,207 is below its constitutional debt limit by approximately \$13,119,000.

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 2015 budget, tax rates, and fees that will be charged for various City activities.

The City of Grinnell began collecting a 1% franchise fee on gas and electric utilities beginning in October 2014. In January 2016, the gas and electric fee will increase to 4%, which is expected to generate approximately \$495,000 annually and recorded in the General Fund. These fees were implemented to offset future property tax losses anticipated by the property tax reform approved by the Iowa Legislature in FY 2014.

We will also see the Tax Increment Financing dollars being utilized to assist with the continuation of the Central Business District Phase 5, Central Park Improvement Project; CDBG Downtown Revitalization Project, TIF Rebate and Forgivable Loan Agreements and future economic development projects.

The city retired the Sanitary Sewer and Water Revenue Bonds in FY 2015 which places the city in good position for the new Wastewater Treatment Facility project and the Water Tower Improvement Project over the next few years. The Utility Rates should stabilize. The 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
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

As of and for the year ended June 30, 2015

	<u>Disbursements</u>	<u>Program Receipts</u>	
		<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
Functions/Programs:			
Governmental activities:			
Public safety	\$ 1,947,474	\$ 57,781	\$ 9,626
Public works	2,089,766	5,267	1,064,137
Health and social services	1,274	--	--
Culture and recreation	1,245,017	559,811	266,673
Community and economic development	596,593	202,003	67,563
General government	1,078,948	25,741	2,695
Debt service	2,154,619	--	--
Capital projects	3,825,114	--	--
Total governmental activities	<u>12,938,805</u>	<u>850,603</u>	<u>1,410,694</u>
Business type activities:			
Water	1,363,181	1,599,561	--
Sewer	1,098,469	1,579,152	7,870
Solid waste	950,503	1,141,542	--
Storm sewer	195,412	298,481	--
Total business type activities	<u>3,607,565</u>	<u>4,618,736</u>	<u>7,870</u>
Total	<u>\$ 16,546,370</u>	<u>\$ 5,469,339</u>	<u>\$ 1,418,564</u>
General Receipts, Other Disbursements and Transfers:			
Property tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Hotel motel tax			
Local option sales tax			
Unrestricted interest on investments			
Sale of assets			
Debt proceeds			
Payment to refunded bond escrow agent			
Miscellaneous			
Transfers			
Total general receipts, other disbursements 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
\$ --	\$(1,880,067)	\$ --	\$(1,880,067)
--	(1,020,362)	--	(1,020,362)
--	(1,274)	--	(1,274)
--	(418,533)	--	(418,533)
--	(327,027)	--	(327,027)
--	(1,050,512)	--	(1,050,512)
--	(2,154,619)	--	(2,154,619)
<u>1,109,568</u>	<u>(2,715,546)</u>	<u>--</u>	<u>(2,715,546)</u>
<u>1,109,568</u>	<u>(9,567,940)</u>	<u>--</u>	<u>(9,567,940)</u>
--	--	236,380	236,380
--	--	488,553	488,553
--	--	191,039	191,039
<u>--</u>	<u>--</u>	<u>103,069</u>	<u>103,069</u>
<u>--</u>	<u>--</u>	<u>1,019,041</u>	<u>1,019,041</u>
<u>\$ 1,109,568</u>	<u>(9,567,940)</u>	<u>1,019,041</u>	<u>(8,548,899)</u>
	3,687,656	--	3,687,656
	339,166	--	339,166
	1,811,065	--	1,811,065
	304,410	--	304,410
	1,088,829	--	1,088,829
	49,129	16,099	65,228
	387,000	--	387,000
	5,995,000	--	5,995,000
	(5,840,000)	--	(5,840,000)
	245,979	143,333	389,312
	<u>952,179</u>	<u>(952,179)</u>	<u>--</u>
	<u>9,020,413</u>	<u>(792,747)</u>	<u>8,227,666</u>
	(547,527)	226,294	(321,233)
	<u>9,214,097</u>	<u>2,573,127</u>	<u>11,787,224</u>
	<u>\$ 8,666,570</u>	<u>\$ 2,799,421</u>	<u>\$ 11,465,991</u>

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

As of and for the year ended June 30, 2015

	<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.

<u>Program Receipts Capital Grants, Contributions, and Restricted Interest</u>	<u>Net (Disbursements) Receipts and Changes in Cash Basis Net Position</u>		
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
	\$ 511,894	\$ --	\$ 511,894
	147,712	--	147,712
	2,137,851	--	2,137,851
	257,225	--	257,225
	413,904	--	413,904
	2,074,527	--	2,074,527
	1,924,547	--	1,924,547
	<u>1,198,910</u>	<u>2,799,421</u>	<u>3,998,331</u>
	<u>\$ 8,666,570</u>	<u>\$ 2,799,421</u>	<u>\$ 11,465,991</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, 2015

	<u>General</u>	<u>Special Revenue</u>	
		<u>Equipment Replacement</u>	<u>Urban Renewal Tax Increment</u>
Receipts:			
Property tax	\$ 2,220,904	\$ --	\$ --
Tax increment financing	--	--	1,811,065
Other city tax	200,062	--	--
Licenses and permits	15,791	--	--
Use of money and property	278,122	11,874	1,467
Intergovernmental	190,513	--	--
Charges for service	470,858	--	--
Miscellaneous	248,245	29,625	--
Total receipts	<u>3,624,495</u>	<u>41,499</u>	<u>1,812,532</u>
Disbursements:			
Operating:			
Public safety	1,641,512	--	--
Public works	276,291	901,397	--
Health and social services	1,274	--	--
Culture and recreation	1,154,855	--	--
Community and economic development	223,466	--	256,508
General government	393,640	--	--
Debt service	--	--	--
Capital projects	--	--	--
Total disbursements	<u>3,691,038</u>	<u>901,397</u>	<u>256,508</u>
Excess (deficiency) of receipts over (under) disbursements	(66,543)	(859,898)	1,556,024
Other financing sources (uses):			
Sale of assets	--	387,000	--
Proceeds of refunding bonds	--	--	--
Payment to refunded bond escrow agent	--	--	--
Operating transfers in	174,978	601,300	--
Operating transfers out	(32,800)	(447,000)	(1,496,674)
Total other financing sources (uses)	<u>142,178</u>	<u>541,300</u>	<u>(1,496,674)</u>
Net change in cash balances	75,635	(318,598)	59,350
Cash balances beginning of year	<u>1,123,275</u>	<u>2,393,125</u>	<u>197,875</u>
Cash balances end of year	<u>\$ 1,198,910</u>	<u>\$ 2,074,527</u>	<u>\$ 257,225</u>

(continued next page)

<u>Special Revenue</u>				
<u>Employee Benefit</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 1,214,858	\$ 334,433	\$ --	\$ --	\$ 3,770,195
--	--	--	--	1,811,065
51,832	4,733	--	1,393,239	1,649,866
--	--	--	--	15,791
2,414	4,804	13,902	5,289	317,872
--	6,831	1,032,680	967,346	2,197,370
--	--	--	--	470,858
27,229	--	114,024	244,959	664,082
<u>1,296,333</u>	<u>350,801</u>	<u>1,160,606</u>	<u>2,610,833</u>	<u>10,897,099</u>
305,962	--	--	--	1,947,474
--	--	--	912,078	2,089,766
--	--	--	--	1,274
--	--	--	90,162	1,245,017
--	--	--	116,619	596,593
676,038	--	--	9,270	1,078,948
--	2,154,619	--	--	2,154,619
--	--	3,825,114	--	3,825,114
<u>982,000</u>	<u>2,154,619</u>	<u>3,825,114</u>	<u>1,128,129</u>	<u>12,938,805</u>
314,333	(1,803,818)	(2,664,508)	1,482,704	(2,041,706)
--	--	--	--	387,000
--	5,995,000	--	--	5,995,000
--	(5,840,000)	--	--	(5,840,000)
--	1,980,142	1,574,684	477,582	4,808,686
(183,878)	(323,755)	(134,182)	(1,238,218)	(3,856,507)
<u>(183,878)</u>	<u>1,811,387</u>	<u>1,440,502</u>	<u>(760,636)</u>	<u>1,494,179</u>
130,455	7,569	(1,224,006)	722,068	(547,527)
<u>350,702</u>	<u>140,143</u>	<u>3,361,857</u>	<u>1,647,120</u>	<u>9,214,097</u>
<u>\$ 481,157</u>	<u>\$ 147,712</u>	<u>\$ 2,137,851</u>	<u>\$ 2,369,188</u>	<u>\$ 8,666,570</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, 2015

	<u>General</u>	<u>Special Revenue</u>	
		<u>Equipment Replacement</u>	<u>Urban Renewal Tax Increment</u>
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --
Restricted for:			
Debt service	--	--	--
Capital projects	--	--	--
Urban renewal purpose	--	--	257,225
Streets	--	--	--
Equipment	--	2,074,527	--
Other purposes	--	--	--
Unassigned	<u>1,198,910</u>	<u>--</u>	<u>--</u>
Total cash basis fund balances	<u>\$ 1,198,910</u>	<u>\$ 2,074,527</u>	<u>\$ 257,225</u>

The accompanying notes are an integral part of these statements.

<u>Special Revenue Employee Benefit</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ --	\$ --	\$ 511,894	\$ 511,894
--	147,712	--	--	147,712
--	--	2,137,851	--	2,137,851
--	--	--	--	257,225
--	--	--	413,904	413,904
--	--	--	--	2,074,527
481,157	--	--	1,443,390	1,924,547
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,198,910</u>
<u>\$ 481,157</u>	<u>\$ 147,712</u>	<u>\$ 2,137,851</u>	<u>\$ 2,369,188</u>	<u>\$ 8,666,570</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, 2015

	Enterprise	
	Water	Sewer
Operating receipts:		
Use of money and property	\$ --	\$ 8,600
Charges for service	1,599,561	1,570,552
Total operating receipts	1,599,561	1,579,152
Operating disbursements:		
Business type activities	1,249,881	871,869
Total operating disbursements	1,249,881	871,869
Excess of operating receipts over operating disbursements	349,680	707,283
Non-operating receipts (disbursements):		
Interest on investments	2,321	7,042
Intergovernmental	--	7,870
Miscellaneous	88,585	7,305
Debt service	(113,300)	(226,600)
Total non-operating receipts (disbursements)	(22,394)	(204,383)
Excess of receipts over disbursements	327,286	502,900
Operating transfers out	(113,809)	(613,810)
Total operating transfers in (out), net	(113,809)	(613,810)
Change in cash balances	213,477	(110,910)
Cash balances beginning of year	293,078	1,164,194
Cash balances end of year	\$ 506,555	\$ 1,053,284
Cash Basis Fund Balances		
Unrestricted	\$ 506,555	\$ 1,053,284
Total cash basis fund balances	\$ 506,555	\$ 1,053,284

The accompanying notes are an integral part of these statements.

Enterprise		
Solid Waste	Storm Sewer	Total
\$ --	\$ --	\$ 8,600
<u>1,141,542</u>	<u>298,481</u>	<u>4,610,136</u>
1,141,542	298,481	4,618,736
<u>950,503</u>	<u>195,412</u>	<u>3,267,665</u>
950,503	195,412	3,267,665
191,039	103,069	1,351,071
2,347	4,389	16,099
--	--	7,870
3,443	44,000	143,333
<u>--</u>	<u>--</u>	<u>(339,900)</u>
5,790	48,389	(172,598)
196,829	151,458	1,178,473
<u>(92,500)</u>	<u>(132,060)</u>	<u>(952,179)</u>
(92,500)	(132,060)	(952,179)
104,329	19,398	226,294
<u>350,373</u>	<u>765,482</u>	<u>2,573,127</u>
<u>\$ 454,702</u>	<u>\$ 784,880</u>	<u>\$ 2,799,421</u>
<u>\$ 454,702</u>	<u>\$ 784,880</u>	<u>\$ 2,799,421</u>
<u>\$ 454,702</u>	<u>\$ 784,880</u>	<u>\$ 2,799,421</u>

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

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

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

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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. Enabling legislation did not result in any restricted net position.

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 are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts 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 Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Employee Benefits Fund is used to account for the payment of payroll taxes and other employee benefits.

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 the acquisition and construction of capital improvements.

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The City reports the following major proprietary funds:

Enterprise:

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

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

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

The Storm Sewer Fund accounts for the operation of the City's storm sewer system.

C. Measurement Focus and Basis of Accounting

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

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

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

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

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Governmental Cash Basis Fund Balances

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

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

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

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

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2015 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.

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 had no investments with credit risk.

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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	
	Principal	Interest
2016	\$ 1,449,207	\$ 296,823
2017	1,575,000	265,291
2018	1,620,000	229,170
2019	810,000	189,275
2020	835,000	166,074
2021 - 2025	4,085,000	568,348
2026 - 2029	1,415,000	86,264
	<u>\$ 11,789,207</u>	<u>\$ 1,801,245</u>

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,210,000 in sewer revenue capital loan notes issued in July, 2009. Proceeds from the notes provided financing for the refunding of the City's 2003 Sewer Refunding Capital Loan Notes and fund improvements. The notes were payable solely from sewer customer net receipts and are payable through 2015. Annual principal and interest payments on the notes were expected to require less than 33 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$ - 0 - . For the current year, principal and interest paid and total customer net receipts were approximately \$226,600 and \$707,300, respectively.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$500,000 in water revenue capital loan notes issued in July, 2009. Proceeds from the notes provided financing for water improvements. The notes were payable solely from water customer net receipts and are payable through 2015. Annual principal and interest payments on the notes were expected to require less than 33 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$ - 0 - . For the current year, principal and interest paid and total customer net receipts were approximately \$113,300 and \$349,700, 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 separate sewer and water revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

- (c) Sufficient monthly transfers shall be made to sewer and water revenue note reserve accounts within the Enterprise Funds until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying for principal and interest on the notes when insufficient money is available in the sinking accounts.
- (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 - DEFEASANCE OF DEBT

On September 18, 2014, the City issued \$5.995 million in General Obligation Bonds with an average interest rate of 2.47% to advance refund \$5.84 million of outstanding 2008 Series bonds with an average interest rate of 3.92%. The net proceeds of \$6.051 million, including \$155,000 of premium (after payment of \$99,000 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2008 Series bonds. As a result, the 2008 Series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$155,000. The City completed the advance refunding to reduce its total debt service payments over the next 12 years by \$537,750 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$420,700.

NOTE 5 - 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 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at 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.

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 - PENSION PLAN - Continued

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, anytime 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. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-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 that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that 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.

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 - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that 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 2015, pursuant to the required rate, Regular members contributed 5.95% of pay and the City contributed 8.93% for a total rate of 14.88%.

The City's contributions to IPERS for the year ended June 30, 2015 were \$199,929.

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 - PENSION PLAN - Continued

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$1,308,193. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.032324%, which was a decrease of 0.000766% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City's collective pension expense, collective deferred outflows and collective deferred inflows totaled \$89,610, \$236,546 and \$498,907 respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00%
Salary increases (effective June 30, 2014)	4.00%, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50% per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 - PENSION PLAN - Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan 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>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's 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 pension plan 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 7.5%, 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-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability	\$ 2,471,793	\$ 1,308,193	\$ 325,993

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 - PENSION PLAN - Continued

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

NOTE 6 - MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA (MFPRSI)

Plan Description - 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.

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.

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 percent of the member's average final compensation. Additional benefits are available to members who perform more than 22 years of service (2 percent 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 percent 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. By electing to participate in DROP the member is signing a contract indicating 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.

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 - MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA (MFPRSI) -
Continued

Disability and Death Benefits - Disability coverage is broken down into two types, accidental and ordinary. Accidental disability is defined as permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60 percent 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 percent 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 percent 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 percent 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 percent 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 percent 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 (escalated) annually in accordance with Chapter 411.6 of the Code of Iowa which states 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 as modified by act of the 1994 General Assembly, to establish compliance with the Federal Older Workers Benefit Protections Act, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2015.

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 percent 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 employer's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 30.41% for the year ended June 30, 2015.

The City's contributions to MFPRSI for the year ended June 30, 2015 was \$305,962.

If approved by the state legislature, state appropriation may further reduce the employer'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, (GASB 67).

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 - MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA (MFPRSI) -
Continued

There were no state appropriations to MFPRSI during the fiscal year ended June 30, 2014.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City had a liability of \$1,476,093 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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 pension plan relative to the contributions of all MFPRSI participating employers. At June 30, 2014, the City's proportion was .407200% which was an increase of .008759% from its proportions measured as of June 30, 2013.

For the year ended June 30, 2015 the City's collective pension expense, collective deferred outflows and collective deferred inflows totaled \$131,181, \$454,919, and \$698,049 respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation	3.00%
Salary increases	4.50% to 15.11%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2002 to June 30, 2012.

Mortality rates were based weighting equal to 2/12 of the 1971 GAM table and 10/12 of the 1994 GAB table with no projection of future mortality improvement.

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 - MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA (MFPRSI) -
Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (i.e., expected returns, net of pension plan 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 geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Plus Fixed Income	7.0%	3.8%
Emerging Markets Debt	3.0	6.5
Domestic Equities	12.5	6.0
Master Limited Partnerships (MLP)	5.0	8.5
International Equities	12.5	7.0
Core Investments	<u>40.0%</u>	
Tactical Asset Allocation	35.0	6.0
Private Equity	15.0	9.8
Private Non-Core Real Estate	5.0	9.3
Private Core Real Estate	5.0	6.8
Real Estate	<u>10.0</u>	
Total	<u><u>100.0%</u></u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made at 9.40% of covered payroll and the City contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the pension plan'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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF GRINNELL, IOWA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 6 - MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA (MFPRSI) -
 Continued

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 percent, 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-percent lower (6.5 percent) or 1-percent higher (8.5 percent) than the current rate.

	<u>1% Decrease 6.5%</u>	<u>Discount Rate 7.5%</u>	<u>1% Increase 8.5%</u>
City's proportionate share of the net pension liability	\$ 2,830,291	\$ 1,476,093	\$ 350,877

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MFPRSI financial report which is available on MFPRSI's website at www.mfprsi.org.

NOTE 7 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and comp time, and sick leave payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation and Comp Time	\$ 76,000
Sick Leave	<u>167,000</u>
Total	<u>\$ 243,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2015.

CITY OF GRINNELL, IOWA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 8 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Hotel Motel Tax	\$ 62,500
	Employee Benefit	70,478
	Urban Renewal Tax Increment	16,000
	Enterprise:	
	Water	13,000
	Sewer	13,000
		<u>174,978</u>
Local Option Sales Tax	General	32,800
	Capital Projects	95,382
	Special Revenue:	
	Urban Renewal Tax Increments	236,000
		<u>364,182</u>
Special Revenue:	Special Revenue:	
Equipment Replacement	Urban Renewal Tax Increment	100,000
	Road Use	60,000
	Capital Projects	38,800
	Enterprise:	
	Sewer	250,000
	Solid Waste	92,500
	Water	50,000
	Storm Sewer	10,000
		<u>601,300</u>
Special Revenue:	Special Revenue:	
Insurance Review	Employee Benefit	113,400
Debt Service	Special Revenue:	
	Local Option Sales Tax	1,004,468
	Urban Renewal Tax Increment	975,674
		<u>1,980,142</u>
Capital Projects	Special Revenue:	
	Hotel Motel Tax	100,000
	Urban Renewal Tax Increment	169,000
	Road Use	11,250
	Equipment Replacement	447,000
	Debt Service	323,755
	Enterprise:	
	Sewer	350,810
	Water	50,809
	Storm Sewer	122,060
		<u>1,574,684</u>
		<u>\$ 4,808,686</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, 2015

NOTE 9 - 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 727 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 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.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2015 were approximately \$164,000.

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 \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$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.

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 9 - RISK MANAGEMENT - Continued

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.

The City does not disclose a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been disclosed in the City's financial statements. As of June 30, 2015, 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 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description: The City operates a single-employer health benefit plan which provides medical benefits for employees and retirees. There are 58 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical benefits are provided through a fully-insured plan with a commercial insurance carrier. Retirees under age 65 pay the same premium for the medical benefits as active employees.

Funding Policy: The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$583 for single coverage and \$1,361 for family coverage. For the year ended June 30, 2015, the City contributed \$107,451 and plan members eligible for benefits contributed \$12,075 to the plan.

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 11 - HOSPITAL REVENUE REFUNDING BONDS

The City has issued a total of \$4.0 million of Hospital Revenue Refunding Bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$3.92 million is outstanding at June 30, 2015. 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 12 - DEFICIT BALANCE

The Central Park Project fund , Reinvestment Project fund, Highway 146 & I-80 Signal Map fund, I-80 Interchange Project fund, and Sunset Street Improvement Project fund are reported as part of the Capital Projects fund and had deficit balances at June 30, 2015 in the amounts of \$8,968, \$10,660, \$29,124, \$132,829, and \$17,906, respectively. The deficit balances were a result of project costs incurred prior to availability of funds.

NOTE 13 - SUBSEQUENT EVENTS

Subsequent Events

The City has evaluated all subsequent events through December 9, 2015, the date the financial statements were available to be issued.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Construction Contracts

The City has entered into several construction contracts that are still in process as of June 30, 2015. The net remaining amount committed to these contracts is approximately \$2,618,000, which will be paid with existing capital project funds, local option sales tax revenue, tax increment financing revenues, grant proceeds, and donations.

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OTHER INFORMATION

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

Year ended June 30, 2015

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Total</u>
Receipts:			
Property tax	\$ 3,770,195	\$ --	\$ 3,770,195
Tax increment financing	1,811,065	--	1,811,065
Other city tax	1,649,866	--	1,649,866
Licenses and permits	15,791	--	15,791
Use of money and property	317,872	24,699	342,571
Intergovernmental	2,197,370	7,870	2,205,240
Charges for service	470,858	4,610,136	5,080,994
Miscellaneous	664,082	143,333	807,415
Total receipts	<u>10,897,099</u>	<u>4,786,038</u>	<u>15,683,137</u>
Disbursements:			
Public safety	1,947,474	--	1,947,474
Public works	2,089,766	--	2,089,766
Health and social services	1,274	--	1,274
Culture and recreation	1,245,017	--	1,245,017
Community and economic development	596,593	--	596,593
General government	1,078,948	--	1,078,948
Debt service	2,154,619	--	2,154,619
Capital projects	3,825,114	--	3,825,114
Business type activities	--	3,607,565	3,607,565
Total disbursements	<u>12,938,805</u>	<u>3,607,565</u>	<u>16,546,370</u>
Excess (deficiency) of receipts over (under) disbursements	(2,041,706)	1,178,473	(863,233)
Other financing sources (uses), net	<u>1,494,179</u>	<u>(952,179)</u>	<u>542,000</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(547,527)	226,294	(321,233)
Balances beginning of year	<u>9,214,097</u>	<u>2,573,127</u>	<u>11,787,224</u>
Balances end of year	<u>\$ 8,666,570</u>	<u>\$ 2,799,421</u>	<u>\$ 11,465,991</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		<u>Final to Total Variance</u>
<u>Original</u>	<u>Final</u>	
\$ 3,764,293	\$ 3,764,293	\$ 5,902
1,793,431	1,793,431	17,634
1,378,314	1,585,384	64,482
73,450	5,221	10,570
317,816	342,061	510
1,576,904	2,234,517	(29,277)
5,210,347	5,290,342	(209,348)
1,821,388	2,515,669	(1,708,254)
<u>15,935,943</u>	<u>17,530,918</u>	<u>(1,847,781)</u>
2,086,557	2,087,626	140,152
2,547,477	2,625,726	535,960
2,000	2,000	726
1,157,993	1,325,207	80,190
797,588	756,050	159,457
1,754,775	1,821,015	742,067
1,995,274	8,221,114	6,066,495
4,742,629	4,105,060	279,946
4,554,001	4,530,401	922,836
<u>19,638,294</u>	<u>25,474,199</u>	<u>8,927,829</u>
(3,702,351)	(7,943,281)	7,080,048
<u>--</u>	<u>6,150,438</u>	<u>(5,608,438)</u>
(3,702,351)	(1,792,843)	1,471,610
<u>10,609,668</u>	<u>12,964,780</u>	<u>(1,177,556)</u>
<u>\$ 6,907,317</u>	<u>\$ 11,171,937</u>	<u>\$ 294,054</u>

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

June 30, 2015

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 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, two budget amendments increased budgeted disbursements by \$5,835,905. The budget amendment is reflected in the final budgeted amount.

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
 LAST FISCAL YEAR*

OTHER INFORMATION

City's proportion of the net pension liability	0.032324%
City's proportionate share of the net pension liability	\$ 1,308,000
City's covered-employee payroll:	\$ 2,159,000
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.58%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30,

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

Note: Amounts are rounded.

See accompanying independent auditor's report.

CITY OF GRINNELL, IOWA

SCHEDULE OF CITY CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 8 FISCAL YEARS

OTHER INFORMATION

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 200,000	\$ 193,000	\$ 186,000	\$ 169,000
Contributions in relation to the statutorily required contribution	<u>(200,000)</u>	<u>(193,000)</u>	<u>(186,000)</u>	<u>(169,000)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered-employee payroll	\$ 2,239,000	\$ 2,159,000	\$ 2,140,000	\$ 2,094,000
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.69%	8.07%

Note: Amounts are rounded.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 143,000	\$ 138,000	\$ 121,000	\$ 110,000
<u>(143,000)</u>	<u>(138,000)</u>	<u>(121,000)</u>	<u>(110,000)</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$ 2,057,000	\$ 2,049,000	\$ 1,898,000	\$ 1,819,000
6.95%	6.73%	6.35%	6.05%

CITY OF GRINNELL, IOWA

NOTES TO OTHER INFORMATION - PENSION LIABILITY

YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

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

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

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

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

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

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

(continued next page)

CITY OF GRINNELL, IOWA

NOTES TO OTHER INFORMATION - PENSION LIABILITY - Continued

YEAR ENDED JUNE 30, 2015

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

* * *

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
 LAST FISCAL YEAR*

OTHER INFORMATION

City's proportion of the net pension liability	0.407200%
City's proportionate share of the net pension liability	\$ 1,476,000
City's covered-employee payroll:	\$ 1,006,000
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	146.72%
Plan fiduciary net position as a percentage of the total pension liability	86.27%

* The amounts presented for each fiscal year were determined as of June 30,

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

Note: Amounts are rounded.

See accompanying independent auditor's report.

CITY OF GRINNELL, IOWA

SCHEDULE OF CITY CONTRIBUTIONS

MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA
LAST 8 FISCAL YEARS

OTHER INFORMATION

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 306,000	\$ 303,000	\$ 261,000	\$ 253,000
Contributions in relation to the statutorily required contribution	<u>(306,000)</u>	<u>(303,000)</u>	<u>(261,000)</u>	<u>(253,000)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 1,006,000	\$ 1,006,000	\$ 997,000	\$ 1,025,000
Contributions as a percentage of covered-employee payroll	30.41%	30.12%	26.18%	24.68%

Note: Amounts are rounded.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 189,000	\$ 164,000	\$ 165,000	\$ 207,000
<u>(189,000)</u>	<u>(164,000)</u>	<u>(165,000)</u>	<u>(207,000)</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$ 951,000	\$ 966,000	\$ 880,000	\$ 810,000
19.87%	16.98%	18.75%	25.56%

CITY OF GRINNELL, IOWA
NOTES TO OTHER INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

Effective July 1, 2014, two additional steps were taken to phase in the 1994 Group Annuity Mortality Table for post-retirement mortality. The two additional steps result 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, 2015

	Special Revenue		
	Road Use	Local Option Sales Tax	Unemployment Reserve
Receipts:			
Other City tax	\$ --	\$ 1,088,829	\$ --
Use of money and property	--	2,712	242
Intergovernmental	958,511	--	--
Miscellaneous	--	--	--
Total receipts	958,511	1,091,541	242
Disbursements:			
Operating:			
Public works	912,078	--	--
Culture and recreation	--	--	--
Community and economic development	--	21,486	--
General government	--	--	--
Total disbursements	912,078	21,486	--
Excess (deficiency) of receipts over (under) disbursements	46,433	1,070,055	242
Other financing sources (uses):			
Operating transfers in	--	364,182	--
Operating transfers out	(71,250)	(1,004,468)	--
Total other financing sources (uses)	(71,250)	(640,286)	--
Net change in cash balances	(24,817)	429,769	242
Cash balances beginning of year	438,721	340,762	24,640
Cash balances end of year	\$ 413,904	\$ 770,531	\$ 24,882
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --
Restricted for:			
Streets	413,904	--	--
Other purposes	--	770,531	24,882
Total cash basis fund balances	\$ 413,904	\$ 770,531	\$ 24,882

(continued next page)

Special Revenue			
<u>Insurance Deductible</u>	<u>Insurance Reserve</u>	<u>Insurance Escrow</u>	<u>Hotel Motel Tax</u>
\$ --	\$ --	\$ --	\$ 304,410
367	334	--	979
--	--	--	--
<u>--</u>	<u>7,660</u>	<u>--</u>	<u>2,542</u>
367	7,994	--	307,931
--	--	--	--
--	--	--	95,133
<u>2,000</u>	<u>7,270</u>	<u>--</u>	<u>--</u>
2,000	7,270	--	95,133
(1,633)	724	--	212,798
--	113,400	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>(162,500)</u>
--	113,400	--	(162,500)
(1,633)	114,124	--	50,298
<u>68,750</u>	<u>51,897</u>	<u>9,790</u>	<u>146,108</u>
<u>\$ 67,117</u>	<u>\$ 166,021</u>	<u>\$ 9,790</u>	<u>\$ 196,406</u>
\$ --	\$ --	\$ --	\$ --
--	--	--	--
<u>67,117</u>	<u>166,021</u>	<u>9,790</u>	<u>196,406</u>
<u>\$ 67,117</u>	<u>\$ 166,021</u>	<u>\$ 9,790</u>	<u>\$ 196,406</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, 2015

	Special Revenue Library Gifts	Permanent Cemetery Perpetual Care
Receipts:		
Other City tax	\$ --	\$ --
Use of money and property	655	--
Intergovernmental	8,835	--
Miscellaneous	231,174	3,423
Total receipts	240,664	3,423
Disbursements:		
Operating:		
Public works	--	--
Culture and recreation	90,162	--
Community and economic development	--	--
General government	--	--
Total disbursements	90,162	--
Excess (deficiency) of receipts over (under) disbursements	150,502	3,423
Other financing sources (uses):		
Operating transfers in	--	--
Operating transfers out	--	--
Total other financing sources (uses)	--	--
Net change in cash balances	150,502	3,423
Cash balances beginning of year	58,141	505,251
Cash balances end of year	208,643	508,674
Cash Basis Fund Balances		
Nonspendable - Cemetery perpetual care	\$ --	\$ 508,674
Restricted for:		
Streets	--	--
Other purposes	208,643	--
Total cash basis fund balances	208,643	508,674

See accompanying independent auditor's report.

<u>Permanent Cemetery Trees</u>	<u>Total</u>
\$ --	\$ 1,393,239
--	5,289
--	967,346
<u>160</u>	<u>244,959</u>
160	2,610,833
--	912,078
--	90,162
--	116,619
<u>--</u>	<u>9,270</u>
<u>--</u>	<u>1,128,129</u>
160	1,482,704
--	477,582
<u>--</u>	<u>(1,238,218)</u>
<u>--</u>	<u>(760,636)</u>
160	722,068
<u>3,060</u>	<u>1,647,120</u>
<u>\$ 3,220</u>	<u>\$ 2,369,188</u>
\$ 3,220	\$ 511,894
--	413,904
<u>--</u>	<u>1,443,390</u>
<u>\$ 3,220</u>	<u>\$ 2,369,188</u>

CITY OF GRINNELL, IOWA
 SCHEDULE OF INDEBTEDNESS
 Year ended June 30, 2015

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Notes and Bonds:			
2006 B Capital Loan Note	May 15, 2006	6.50%	\$ 108,755
2008 Refunding Capital Loan Notes	April 1, 2008	4.40%	200,000
2008 Local Option Sales Tax Bonds	May 1, 2008	3.75 - 4.00%	6,500,000
2009 Local Option Sales Tax Bonds	February 1, 2009	2.40 - 3.80%	3,700,000
2009 Urban Renewal Refunding Bonds	October 1, 2009	2.25 - 4.45%	1,900,000
2010 Urban Renewal Refunding Bonds	April 1, 2010	1.00 - 1.80%	2,315,000
2011 Urban Renewal Refunding Bonds	December 1, 2011	.5 - 1.45%	2,765,000
2014 Local Option Sales Tax Bonds	September 18, 2014	2.00-3.00%	5,995,000
Total General Obligation Notes and Bonds			
Revenue Notes:			
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>
\$ 27,547	\$ --	\$ 13,340	\$ 14,207	\$ 1,791	\$ 76
140,000	--	25,000	115,000	6,160	422
6,500,000	--	5,840,000	660,000	252,125	21,010
1,845,000	--	515,000	1,330,000	63,730	3,938
1,485,000	--	120,000	1,365,000	52,113	4,093
485,000	--	485,000	--	8,730	--
2,525,000	--	215,000	2,310,000	29,120	2,301
<u>--</u>	<u>5,995,000</u>	<u>--</u>	<u>5,995,000</u>	<u>198,635</u>	<u>11,843</u>
<u>\$13,007,547</u>	<u>\$5,995,000</u>	<u>\$7,213,340</u>	<u>\$ 11,789,207</u>	<u>\$ 612,404</u>	<u>\$ 43,683</u>
\$ 110,000	\$ --	\$ 110,000	\$ --	\$ 3,300	\$ --
<u>220,000</u>	<u>--</u>	<u>220,000</u>	<u>--</u>	<u>6,600</u>	<u>--</u>
<u>\$ 330,000</u>	<u>\$ --</u>	<u>\$ 330,000</u>	<u>\$ --</u>	<u>\$ 9,900</u>	<u>\$ --</u>

CITY OF GRINNELL, IOWA
 BOND AND NOTE MATURITIES
 June 30, 2015

Year ending June 30,	General Obligation Bonds and Notes					
	2006 B Capital Loan Note		2008 Local Option Sales Tax Bonds		2008 Refunding Capital Loan Notes	
	Issued May 15, 2006		Issued May 1, 2008		Issued April 1, 2008	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2016	6.50%	\$ 14,207	--	\$ --	4.40%	\$ 65,000
2017		--	--	--	4.40	25,000
2018		--	3.75%	340,000	4.40	25,000
2019		--	3.75	320,000		--
2020		--		--		--
2021		--		--		--
2022		--		--		--
2023		--		--		--
2024		--		--		--
2025		--		--		--
2026		--		--		--
2027		--		--		--
2028		--		--		--
2029		--		--		--
		<u>\$ 14,207</u>		<u>\$ 660,000</u>		<u>\$ 115,000</u>

(continued next page)

See accompanying independent auditor's report.

General Obligation Bonds and Notes								
2009 Local Option Sales Tax Bonds		2009 Urban Renewal Bonds		2011 Urban Renewal Bonds		2014 Local Option Sales Tax Bonds		Total
Issued February 1, 2009		Issued October 1, 2009		Issued December 1, 2011		Issued September 18, 2014		
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
3.40%	\$ 540,000	2.50%	\$ 120,000	0.90 %	\$ 710,000		\$ --	\$ 1,449,207
3.60	565,000	3.00	130,000	1.20	790,000	2.00%	65,000	1,575,000
3.80	225,000	3.00	135,000	1.45	810,000	2.00	85,000	1,620,000
--	--	3.00	140,000	--	--	2.00	350,000	810,000
--	--	3.20	145,000	--	--	2.00	690,000	835,000
--	--	--	--	--	--	2.00	715,000	715,000
--	--	--	--	--	--	2.00	735,000	735,000
--	--	4.00	200,000	--	--	2.25	745,000	945,000
--	--	--	--	--	--	2.50	760,000	760,000
--	--	4.20	150,000	--	--	2.75	780,000	930,000
--	--	--	--	--	--	3.00	800,000	800,000
--	--	4.25	165,000	--	--	3.00	270,000	435,000
--	--	--	--	--	--	--	--	--
--	--	4.45	180,000	--	--	--	--	180,000
	<u>\$1,330,000</u>		<u>\$1,365,000</u>		<u>\$ 2,310,000</u>		<u>\$5,995,000</u>	<u>\$ 11,789,207</u>

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Receipts:				
Property tax	\$ 3,770,195	\$ 3,768,602	\$ 3,699,917	\$ 3,721,305
Tax increment financing	1,811,065	1,698,609	1,725,321	1,403,920
Other city tax	1,649,866	1,300,279	1,187,763	1,411,015
Licenses and permits	15,791	71,400	70,729	78,285
Use of money and property	317,872	197,433	213,365	172,776
Intergovernmental	2,197,370	3,138,796	1,793,317	3,085,054
Charges for service	470,858	496,021	441,162	478,716
Special assessments	--	--	--	5,612
Miscellaneous	664,082	462,930	1,729,822	2,625,965
	<u>\$ 10,897,099</u>	<u>\$ 11,134,070</u>	<u>\$ 10,861,396</u>	<u>\$ 12,982,648</u>
Disbursements:				
Operating:				
Public safety	\$ 1,947,474	\$ 1,740,853	\$ 1,721,070	\$ 1,983,835
Public works	2,089,766	1,645,328	1,276,745	1,260,714
Health and social services	1,274	1,000	1,620	898
Culture and recreation	1,245,017	1,093,433	1,080,732	1,054,957
Community and economic development	596,593	1,081,742	1,232,641	811,409
General government	1,078,948	1,416,547	1,365,377	1,192,906
Debt service	2,154,619	1,809,633	1,827,961	4,405,315
Capital projects	3,825,114	4,277,032	1,800,931	4,934,388
	<u>\$ 12,938,805</u>	<u>\$ 13,065,568</u>	<u>\$ 10,307,077</u>	<u>\$ 15,644,422</u>

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 3,603,350	\$ 3,452,308	\$ 3,366,606	\$ 3,087,015	\$ 2,999,391	\$ 3,056,035
1,512,596	1,376,451	1,126,535	922,033	868,911	503,377
1,154,105	1,128,032	1,131,921	1,386,718	8,125	70,911
70,828	73,202	70,469	60,571	3,619	14,309
202,269	293,896	326,197	249,572	207,611	123,410
2,868,686	2,447,855	2,249,586	2,167,720	1,764,014	2,864,425
525,196	307,633	196,393	468,998	189,815	221,497
--	--	--	848	6,629	15,039
<u>3,025,026</u>	<u>1,682,009</u>	<u>3,568,962</u>	<u>629,659</u>	<u>2,603,867</u>	<u>1,290,592</u>
<u>\$ 12,962,056</u>	<u>\$ 10,761,386</u>	<u>\$ 12,036,669</u>	<u>\$ 8,973,134</u>	<u>\$ 8,651,982</u>	<u>\$ 8,159,595</u>
\$ 1,907,607	\$ 1,716,902	\$ 1,597,813	\$ 1,595,471	\$ 1,813,974	\$ 1,768,132
1,117,766	1,187,834	1,009,404	1,625,587	1,722,727	778,029
972	11,285	--	--	--	--
1,124,820	1,042,095	946,258	826,726	1,084,280	876,011
791,112	884,813	924,032	1,064,758	1,874,595	974,415
1,107,407	1,044,360	1,029,102	1,004,039	962,178	1,037,363
1,737,290	3,417,738	940,726	509,432	356,601	696,402
<u>5,177,493</u>	<u>11,310,062</u>	<u>11,624,953</u>	<u>5,434,166</u>	<u>2,302,993</u>	<u>6,303,046</u>
<u>\$ 12,964,467</u>	<u>\$ 20,615,089</u>	<u>\$ 18,072,288</u>	<u>\$ 12,060,179</u>	<u>\$ 10,117,348</u>	<u>\$ 12,433,398</u>

CITY OF GRINNELL, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2015

<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	3-19-0039-12-2014	\$ 285,120
Total direct			
Indirect:			
U.S. Department of Transportation: Iowa Department of Transportation: Highway Planning and Construction	20.205	HDP-146-2(32)-71-79	500,590
Highway Planning and Construction	20.205	STP-0-3127(627)-70-79	<u>86,045</u>
			586,635
U.S. Department of Housing and Urban Development: Iowa Department of Economic Development: Community Development Block Grant Program	14.228	11-HSG-021	<u>17,764</u>
Total indirect			<u>604,399</u>
			<u>\$ 889,519</u>

Basis of Presentation -The Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Grinnell and is presented on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

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, 2015, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 9, 2015. 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 (internal control) to determine the audit procedures that are 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 were not 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: 15-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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying schedule of findings and questioned costs.

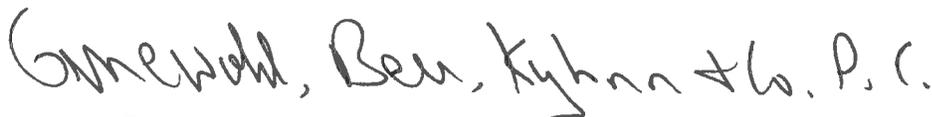
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions 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 result 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.



Atlantic, Iowa
December 9, 2015

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 OMB Circular A-133

To the Honorable Mayor and
Members of the City Council

Report on Compliance for Each Major Federal Program

We have audited the City of Grinnell, Iowa's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Grinnell's major federal program for the year ended June 30, 2015. 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 the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Grinnell's compliance.

To the Honorable Mayor and
Members of the City Council

Opinion on Each Major Federal Program

In our opinion, the City of Grinnell complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The management of the City of Grinnell is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Grinnell's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Grinnell's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Gwendolyn, Ben, Kyhan & Co. P. C.

Atlantic, Iowa
December 9, 2015

CITY OF GRINNELL, IOWA
 Schedule Of Findings And Questioned Costs
 Year ended June 30, 2015

PART I: Summary of the Independent Auditor's Results

Financial Statements

- (a) Type of auditor's report issued:
- Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Internal control over financial reporting:
- Material weakness(es) identified? yes X no
 - Significant deficiency(ies) identified? X yes none reported
- (c) Noncompliance material to financial statements noted? yes X no

Federal Awards

- (d) Internal control over major program:
- Material weakness(es) identified? yes X no
 - Significant deficiency(ies) identified? yes X none reported
- (e) Type of auditor's report issued on compliance for major program:
- Unmodified.
- (f) Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of the OMB Circular A-133? yes X no
- (g) Identification of major program:
- CFDA Number 20.205 - Highway Planning and Construction
- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
- (i) Auditee qualified as low-risk auditee? X yes no

CITY OF GRINNELL, IOWA

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

PART II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

15-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, 2015

PART III: Findings and Questioned Costs For Federal Awards

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 20.205: Highway Planning and Construction
Contract Numbers: HDP-146-2(32)-71-79
Federal Award Year: 2011
U.S. Department of Transportation

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

PART IV: Other Findings Related to Statutory Reporting

- 15-IV-A Certified Budget: Disbursements during the year ended June 30, 2015 did not exceed the amounts budgeted.
- 15-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.
- 15-IV-C Travel Expense: No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.
- 15-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.
- 15-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.
- 15-IV-F Council Minutes: No transactions were found that we believe should have been approved in the Council minutes but were not.
- 15-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.
- 15-IV-H Revenue Bonds: No instances of non-compliance with the revenue bond resolutions were noted.

CITY OF GRINNELL, IOWA

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

PART IV: Other Findings Related to Statutory Reporting - Continued

15-IV-I Urban Renewal Annual Report: The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

15-IV-J Financial Condition: The following funds had deficit balances at June 30, 2015.

Capital projects:

Central Park Project	\$	8,968
Reinvestment Project		10,660
Highway 146 and I-80 Signal Map		29,124
I-80 Interchange Project		132,829
Sunset Street Improvement Project		17,906

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

Response: The deficit fund balances will be eliminated during fiscal year 2016.

Conclusion: Response accepted.

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