

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT
GRINNELL, IOWA

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

JUNE 30, 2008

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GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2007 Election)		
Kevin Kolbe	President	2007
Doug Cutchins	Vice President	2007
Art Heimann	Board Member	2007
Tom Dillman	Board Member	2007
Harriet Dickey-Chasins	Board Member	2008
Wanda Sims	Board Member	2009
Eric Pederson	Board Member	2009
<u>Board of Education</u>		
(After September 2007 Election)		
Eric Pederson	President	2009
Harriet Dickey-Chasins	Vice President	2008
Kevin Kolbe	Board Member	2008
Wanda Sims	Board Member	2009
Amy Broadmore	Board Member	2011
Jeanette Budding	Board Member	2011
Carol Wilhelm	Board Member	2011
<u>School Officials</u>		
Edith Eckles	Superintendent	2010
Don Longhurst	District Secretary/Treasurer (Director of Administrative Services)	2008
Donald L. Schild	Attorney	2008
Ahlers & Cooney, P.C.	Attorney	2008

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Grinnell-Newburg Community School District:

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 Grinnell-Newburg Community School District, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of the District's officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grinnell-Newburg Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2008 on our consideration of Grinnell-Newburg Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 7 through 15 and 52 through 53 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grinnell-Newburg Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (none of which are presented herein). For the two years ended June 30, 2007, we expressed an unqualified opinion on those financial statements. For the year ended June 30, 2005, we expressed an adverse opinion on the aggregate discretely presented component unit due to the omission of the component unit from the District's financial statements. We expressed an unqualified opinion on the District's governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
December 17, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Grinnell-Newburg Community School District's comprehensive annual financial report presents management's discussion and analysis of the District's financial performance for the year ending June 30, 2008. Please read it in conjunction with the district's financial statements.

Financial Highlights

- General Fund revenues increased from \$13,810,104 in FY07 to \$14,554,192 in FY08, while General Fund expenditures increased from \$14,677,409 in FY07 to \$15,074,268 in FY08. Expenditures exceeded revenues by \$520,076. This is the second consecutive year that expenditures have exceeded revenues.

The imbalance in FY08 resulted from additional staffing, significant pay raises intended to bring teaching staff to comparability with similar districts, and temporary shifting of equipment purchases from PPEL to General Fund.

The General Fund balance at June 30, 2008 was \$1,415,578 or 9% of general fund expenditures.

- The district completed a \$13.7 million upgrade to its high school facility. The project was funded by general obligation debt, sales tax debt, and local pledges of approximately \$3,500,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts: Management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

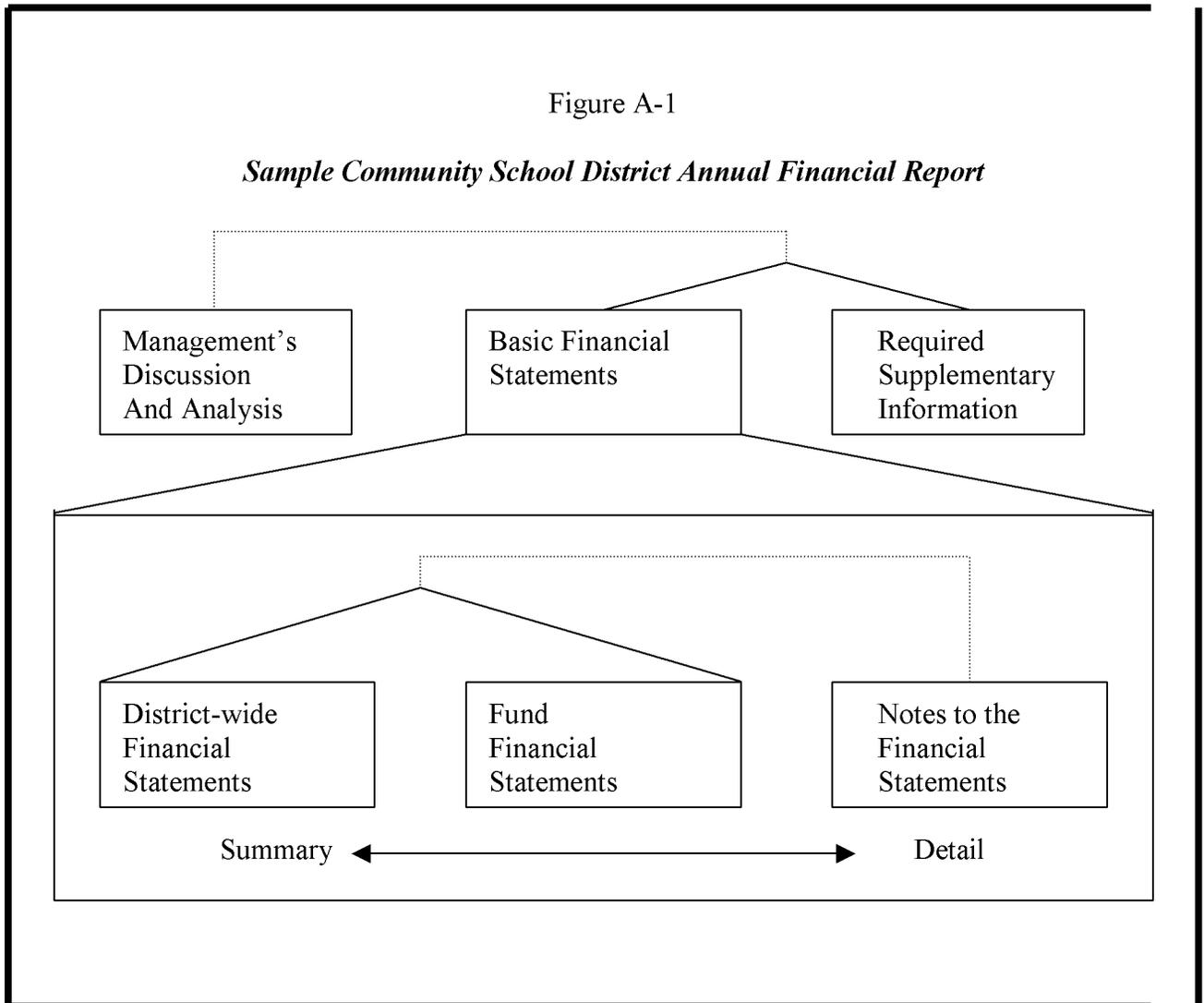


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 <i>Major Features of the District-Wide and Fund Financial Statements</i>				
	District-wide Statements	Fund Statements		
		Governmental funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets Statement of Activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of revenues, expenses and changes in net assets Statement of cash Flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two District-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether the financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal funds.

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provided a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's enterprise funds are the same as its business-type activities but provide more detail and additional information, such as cash flows.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District school for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The School District as a Whole

Net assets. A comparison of the District's combined net assets for 2007 and 2008 follows:

Figure A-3
Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District	
	2008	2007	2008	2007	2008	2007
Assets:						
Current and other Assets	\$11,288,524	\$12,433,559	\$ 52,572	\$ 57,166	\$11,341,096	\$12,490,725
Capital assets	<u>21,930,306</u>	<u>22,154,893</u>	<u>118,905</u>	<u>113,328</u>	<u>22,049,211</u>	<u>22,268,221</u>
Total assets	33,218,830	34,588,452	171,477	170,494	33,390,307	34,758,946
Long-term obligations	10,548,442	13,147,208	-	-	10,548,442	13,147,208
Other obligations	<u>6,694,310</u>	<u>6,594,577</u>	<u>65,915</u>	<u>49,808</u>	<u>6,760,225</u>	<u>6,644,385</u>
Total liabilities	17,242,752	19,741,785	65,915	49,808	17,308,667	19,791,593
Net assets						
Invested in capital assets net of related debt	11,690,306	9,384,893	118,905	113,328	11,809,211	9,498,221
Restricted	2,423,577	3,140,000			2,423,577	3,140,000
Unrestricted	<u>1,862,195</u>	<u>2,321,774</u>	<u>(13,343)</u>	<u>7,358</u>	<u>1,848,852</u>	<u>2,329,132</u>
Total net assets	<u>\$15,976,078</u>	<u>\$14,846,667</u>	<u>\$105,562</u>	<u>\$120,686</u>	<u>\$16,081,640</u>	<u>\$14,967,353</u>

A large portion of the District's net assets reflects its investment in capital assets (land, buildings and building improvements, and equipment and machinery), less related debt (general obligation bonds payable and early retirements benefits payable). The District uses these capital assets to provide services to students and are generally not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Change in net assets – Figure A-4 shows a comparison of the changes in net assets for two years ending June 30, 2008.

Figure A-4

Changes in Net Assets

	Governmental Activities		Business-type Activities		Total School District	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for service & sales	\$ 1,189,483	\$ 1,379,667	\$ 596,983	\$ 600,251	\$ 1,786,466	\$ 1,979,918
Operating grants, contributions, and restricted interest	2,007,900	1,662,234	284,409	257,388	2,292,309	1,919,622
Capital grants, contributions and restricted interest	50,000	950,240	-	-	50,000	950,240
General revenues:						
Property tax	4,906,119	4,582,657	-	-	4,906,119	4,582,657
Debt Service	838,221	840,645	-	-	838,221	840,645
PPEL	274,720	266,365	-	-	274,720	266,365
Local Option Sales and Services tax	1,187,478	1,337,294	-	-	1,187,478	1,337,294
Income Surtax	706,002	739,271	-	-	706,002	739,271
Unrestricted state grants	6,921,885	6,731,731	-	-	6,921,885	6,731,731
Unrestricted interest earnings	149,371	265,820	1,517	2,086	150,888	267,906
Other	52,699	282,065	-	67,404	52,699	349,469
Total revenues	\$18,283,878	\$19,037,989	\$ 882,909	\$ 927,129	\$19,166,787	\$19,965,118
Program expenses:						
Governmental activities:						
Instruction	\$10,118,674	\$10,141,046	-	-	\$10,118,674	\$10,141,046
Support Services	5,479,438	4,955,430	2,156	-	5,481,594	4,955,430
Non-instructional programs	22,930		895,877	871,044	918,807	871,044
Other expenses	1,533,425	1,416,211	-	-	1,533,425	1,416,211
	\$17,154,467	\$16,512,687	\$898,033	\$871,044	\$18,052,500	\$17,383,731
Change in net assets	\$1,129,411	\$2,525,302	(\$15,124)	\$ 56,085	\$ 1,114,287	\$ 2,581,387

The major sources of 2008 revenues for the District were property tax and unrestricted state grants, accounting for 67% of the 2008 revenues. Other revenue sources were charges for sales and services, 9%; operating grants, contributions, and restricted interest, 12%; sales and services tax, 6%; income surtax, 4%; and other sources, 1%.

The District's expenses primarily relate to instruction and support services, which accounted for 86% of the total expenses.

Governmental Activities

Governmental activities revenues for 2008 were \$18,283,878 and expenses were \$17,154,467 resulting in a net asset increase of \$1,129,411.

Figure A-5 presents a comparison of the total and net cost of the District's major governmental activities:

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Instruction	\$10,118,674	\$10,141,046	\$7,705,296	\$7,889,182
Support Services	5,479,438	4,955,430	5,283,644	4,723,018
Non-instructional programs	22,930		22,930	
Other expenses	<u>1,533,425</u>	<u>1,416,211</u>	<u>945,214</u>	<u>(91,654)</u>
Totals	\$17,154,467	\$16,512,687	\$13,957,084	\$12,520,546

- The cost financed by users of the District's programs was \$1,189,483 in 2008, compared to \$1,379,667 in 2007.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,007,900 in 2008, compared to \$1,662,234 in 2007. Capital grants and contributions provided an additional \$50,000 of funding in 2008.
- The net cost of governmental activities was financed with \$7,912,540 of property and other taxes, \$6,921,885 in unrestricted state funds, \$149,371 in unrestricted investment earnings, and \$52,699 in other revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$882,909 and expenses were \$898,033. The District's business-type activities include the School Nutrition Fund and after school and summer child care programs. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and investment income.

Financial Analysis of the District's Funds

As previously noted, the Grinnell-Newburg Community School District used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District ended 2008, its governmental funds reported combined fund balances of \$4,005,958.

Governmental Fund Highlights

The General Fund balance decreased by \$509,204, as noted in the financial highlights at the beginning of the MD&A. This follows a decrease of fund balance of \$641,779 from the previous year. The capital projects fund contributed to the decrease of \$1,080,849 in Nonmajor Governmental Funds as the high school addition was completed. Other fund balances remained relatively unchanged.

Proprietary Fund Highlights

The School Nutrition fund net assets decreased from \$140,839 in 2007 to \$130,424 in 2008. The district's After School Enterprise Fund (childcare) decreased from (\$20,153) in 2007 to (\$24,862) in 2008.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust fund. Although the budget document presents functional area expenditures of expenses by fund, the legal level of control is at the aggregated functional level, at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and other major governmental funds are not presented as part of required supplementary information. The District did not exceed budgeted amounts in any functional area for the year ended June 30, 2008.

Legal Budgetary Highlights

The District's total actual revenues in all funds were \$144,383 less than the total projected certified budget revenues, a variance of only .7%.

Total expenditures in all funds were \$2,431,787 less than budgeted. Budgeted expenses were overstated due to uncertainties in cash flow planning for a \$13.7 million capital project. Also, it is the practice of the District to budget expenditures at the maximum authorized spending authority for all funds. The district controls spending through the line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2008 the District's governmental activities had invested \$21,930,306, net of accumulated depreciation of \$6,789,319, in a broad range of governmental capital assets, including land, buildings and building improvements, ground improvements, vehicles, and furniture. Business-type activities had invested \$118,905, net of accumulated depreciation of \$120,335, in capital assets. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$597,393 for governmental activities, and \$14,329 for business-type activities.

The District has set capitalization levels of \$5,000 for all governmental activities assets except buildings and improvements other than buildings, which have a capitalization level of \$20,000. Business-type activities utilize the \$500 capitalization level as required by regulations of the Bureau of Food and Nutrition.

Significant capital assets activities include the purchase of copy machines, science tables, and costs associated with the construction of the high school addition and renovation project.

Figure A-6

	Capital Assets, net of Depreciation		
	Governmental Activities	Business-type Activities	Total School District
Land	\$ 52,500	\$ -	\$ 52,500
Buildings	21,199,783	-	21,199,783
Improvements, other than buildings	263,607	-	263,607
Furniture and equipment	<u>414,416</u>	<u>118,905</u>	<u>533,321</u>
Total	<u>\$21,930,306</u>	<u>\$118,905</u>	<u>\$22,049,211</u>

Long-Term Liabilities

At June 30, 2008 the District had long-term liabilities totaling \$10,548,442 of which \$308,442 was for early retirement benefits and compensated absences, and \$10,240,000 was for general-obligation and sales tax bond debt. More detailed information is available in Note 6 to the financial statements.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future.

- School Infrastructure Local Option Sales tax was first collected in Poweshiek County in 2003 and in Jasper County in 2004. Tax revenues are currently pledged for repayment of SILO debt incurred for construction and renovation projects at the high school. Actual receipts are currently higher than original estimates.
- District enrollment for 2008-09 was 1709, an increase of 3 from the prior year. Enrollment is projected to decline by 87 students over the coming four year period.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact J.T. Anderson, Business Manager, Grinnell-Newburg Community School District, 927 4th Avenue, Grinnell, Iowa 50112.

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Basic Financial Statements

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 4,331,285	\$ 43,112	\$ 4,374,397
Receivables:			
Property tax:			
Current year	97,743	-	97,743
Succeeding year	5,601,000	-	5,601,000
Income surtax	690,911	-	690,911
Accounts	10,318	183	10,501
Interfund receivable (payable) (note 3)	22,520	(22,520)	-
Due from other governments	513,201	26,385	539,586
Inventories	-	5,412	5,412
Prepaid expenses	21,546	-	21,546
Capital assets, net of accumulated depreciation (note 5)	21,930,306	118,905	22,049,211
Total assets	33,218,830	171,477	33,390,307
Liabilities			
Accounts payable	202,671	2,490	205,161
Salaries and benefits payable	787,984	55,086	843,070
Accrued interest payable	102,655	-	102,655
Deferred revenue:			
Succeeding year property tax	5,601,000	-	5,601,000
Other	-	8,339	8,339
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	287,912	-	287,912
Bonds payable	1,545,000	-	1,545,000
Compensated absences	7,980	-	7,980
Portion due after one year:			
Early retirement	12,550	-	12,550
Bonds payable	8,695,000	-	8,695,000
Total liabilities	17,242,752	65,915	17,308,667

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2008

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 11,690,306	\$ 118,905	\$ 11,809,211
Restricted for:			
State grants	12,833	-	12,833
Physical plant and equipment levy	1,003,837	-	1,003,837
Other special revenue purposes	156,694	-	156,694
Debt service	579,297	-	579,297
Capital projects	670,916	-	670,916
Unrestricted	<u>1,862,195</u>	<u>(13,343)</u>	<u>1,848,852</u>
Total net assets	<u>\$ 15,976,078</u>	<u>\$ 105,562</u>	<u>\$ 16,081,640</u>

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction	\$ 10,118,674	\$ 1,098,464	\$ 1,314,914	\$ -
Support services:				
Student services	363,532	49,709	12,048	-
Instructional staff services	526,098	-	86,835	-
Administration services	2,178,595	-	-	-
Operation and maintenance of plant services	1,721,342	4,141	-	-
Transportation services	689,871	37,169	5,892	-
	<u>5,479,438</u>	<u>91,019</u>	<u>104,775</u>	<u>-</u>
Non-instructional programs	<u>22,930</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	37,956	-	-	50,000
Long-term debt interest and fiscal charges	449,090	-	-	-
AEA flowthrough	588,211	-	588,211	-
Depreciation (unallocated) *	458,168	-	-	-
	<u>1,533,425</u>	<u>-</u>	<u>588,211</u>	<u>50,000</u>
Total governmental activities	<u>17,154,467</u>	<u>1,189,483</u>	<u>2,007,900</u>	<u>50,000</u>
Business-Type Activities:				
Support services:				
Food service operations	<u>2,156</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-instructional programs:				
Food service operations	830,634	536,449	284,409	-
Daycare operations	65,243	60,534	-	-
	<u>895,877</u>	<u>596,983</u>	<u>284,409</u>	<u>-</u>
Total business-type activities	<u>898,033</u>	<u>596,983</u>	<u>284,409</u>	<u>-</u>
Total	<u>\$ 18,052,500</u>	<u>\$ 1,786,466</u>	<u>\$ 2,292,309</u>	<u>\$ 50,000</u>

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (7,705,296)	\$ -	\$ (7,705,296)
(301,775)	-	(301,775)
(439,263)	-	(439,263)
(2,178,595)	-	(2,178,595)
(1,717,201)	-	(1,717,201)
(646,810)	-	(646,810)
(5,283,644)	-	(5,283,644)
(22,930)	-	(22,930)
(37,956)	-	(37,956)
(449,090)	-	(449,090)
-	-	-
(458,168)	-	(458,168)
(945,214)	-	(945,214)
(13,907,084)	-	(13,907,084)
-	(2,156)	(2,156)
-	(9,776)	(9,776)
-	(4,709)	(4,709)
-	(14,485)	(14,485)
-	(16,641)	(16,641)
(13,907,084)	(16,641)	(13,923,725)

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Income surtax

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation included
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ 4,906,119	\$ -	\$ 4,906,119
838,221	-	838,221
274,720	-	274,720
706,002	-	706,002
1,187,478	-	1,187,478
6,921,885	-	6,921,885
149,371	1,517	150,888
52,699	-	52,699
<hr/>		
15,036,495	1,517	15,038,012
<hr/>		
1,129,411	(15,124)	1,114,287
<hr/>		
14,846,667	120,686	14,967,353
<hr/>		
<u>\$ 15,976,078</u>	<u>\$ 105,562</u>	<u>\$ 16,081,640</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	<u>General</u>	<u>Special Revenue Physical Plant and Equipment Levy</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and pooled investments	\$ 1,941,785	\$ 852,300	\$ 290,708	\$ 1,246,492	\$ 4,331,285
Receivables:					
Property tax:					
Current year	70,368	4,505	13,744	9,126	97,743
Succeeding year	4,159,000	263,000	709,000	470,000	5,601,000
Income surtax	518,183	172,728	-	-	690,911
Interfund receivable (note 3)	22,520	-	-	-	22,520
Accounts	7,691	-	-	2,627	10,318
Due from other governments	301,272	-	-	211,929	513,201
Prepaid expenses	21,546	-	-	-	21,546
 Total assets	 <u>\$ 7,042,365</u>	 <u>\$ 1,292,533</u>	 <u>\$ 1,013,452</u>	 <u>\$ 1,940,174</u>	 <u>\$ 11,288,524</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	General	Special Revenue Physical Plant and Equipment Levy	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 161,619	\$ 25,696	\$ -	\$ 15,355	\$ 202,670
Salaries and benefits payable	787,985	-	-	-	787,985
Deferred revenue:					
Succeeding year property tax	4,159,000	263,000	709,000	470,000	5,601,000
Other	518,183	172,728	-	-	690,911
Total liabilities	5,626,787	461,424	709,000	485,355	7,282,566
Fund balance:					
Reserved for:					
Revenue bond reserve funds	-	-	-	377,500	377,500
Prepaid expenses	21,546	-	-	-	21,546
State grants	12,833	-	-	-	12,833
Revenue Bond Sinking Funds	-	-	242,778	-	242,778
Debt service	-	-	61,674	-	61,674
Unreserved:					
Reported in nonmajor Special Revenue Funds	-	-	-	406,403	406,403
Undesignated	1,381,199	831,109	-	670,916	2,883,224
Total fund balances	1,415,578	831,109	304,452	1,454,819	4,005,958
Total liabilities and fund balances	\$ 7,042,365	\$ 1,292,533	\$ 1,013,452	\$ 1,940,174	\$ 11,288,524

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2008

Total fund balances of governmental funds	\$ 4,005,958
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	21,930,306
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	690,911
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(102,655)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(10,548,442)</u>
Net assets of governmental activities	<u><u>\$ 15,976,078</u></u>

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	General	Special Revenue Physical Plant and Equipment Levy	Debt Service	Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 4,859,369	\$ 447,646	\$ 833,322	\$ 2,262,285	\$ 8,402,622
Tuition	507,751	-	-	-	507,751
Other	348,000	17,147	12,312	131,439	508,898
State sources	8,409,803	172	524	361	8,410,860
Federal sources	429,269	-	-	-	429,269
Total revenues	<u>14,554,192</u>	<u>464,965</u>	<u>846,158</u>	<u>2,394,085</u>	<u>18,259,400</u>
Expenditures:					
Current:					
Instruction	<u>9,502,226</u>	<u>7,825</u>	-	<u>672,727</u>	<u>10,182,778</u>
Support services:					
Student services	363,532	-	-	2,248	365,780
Instructional staff services	523,820	-	-	30	523,850
Administration services	1,930,218	-	-	255,563	2,185,781
Operation and maintenance of plant services	1,615,413	-	-	95,743	1,711,156
Transportation services	550,848	113,989	-	17,999	682,836
	<u>4,983,831</u>	<u>113,989</u>	-	<u>371,583</u>	<u>5,469,403</u>
Non-instructional programs	-	-	-	22,930	22,930
Other expenditures:					
Facilities acquisition	-	37,955	-	248,279	286,234
Long term debt:					
Principal	-	-	2,530,000	-	2,530,000
Interest and fiscal charges	-	-	483,154	-	483,154
AEA flowthrough	588,211	-	-	-	588,211
	<u>588,211</u>	<u>37,955</u>	<u>3,013,154</u>	<u>248,279</u>	<u>3,887,599</u>
Total expenditures	<u>15,074,268</u>	<u>159,769</u>	<u>3,013,154</u>	<u>1,315,519</u>	<u>19,562,710</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(520,076)</u>	<u>305,196</u>	<u>(2,166,996)</u>	<u>1,078,566</u>	<u>(1,303,310)</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	General	Special Revenue Physical Plant and Equipment Levy	Debt Service	Nonmajor Governmental Funds	Total
Other financing sources (uses):					
Compensation for loss of capital assets	\$ 10,872	\$ -	\$ -	\$ -	\$ 10,872
Interfund transfers in (note 4)	-	-	2,159,415	-	2,159,415
Interfund transfers out (note 4)	-	-	-	(2,159,415)	(2,159,415)
Total other financing sources (uses)	10,872	-	2,159,415	(2,159,415)	10,872
Net change in fund balances	(509,204)	305,196	(7,581)	(1,080,849)	(1,292,438)
Fund balances beginning of year	1,924,782	525,913	312,033	2,535,668	5,298,396
Fund balances end of year	\$ 1,415,578	\$ 831,109	\$ 304,452	\$ 1,454,819	\$ 4,005,958

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Net change in fund balances - total governmental funds \$ (1,292,438)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 372,806	
Depreciation expense	<u>(597,393)</u>	(224,587)

Income surtax revenue not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. 13,606

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 2,530,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 34,064

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. 68,766

Change in net assets of governmental activities \$ 1,129,411

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2008

	<u>School Nutrition</u>	<u>Nonmajor Enterprise</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 43,112	\$ -	\$ 43,112
Accounts receivable	183	-	183
Due from other governments	26,385	-	26,385
Inventories	5,412	-	5,412
Capital assets, net of accumulated depreciation (note 5)	118,905	-	118,905
Total assets	<u>193,997</u>	<u>-</u>	<u>193,997</u>
Liabilities			
Accounts payable	527	1,963	2,490
Salaries and benefits payable	54,707	379	55,086
Interfund payable (note 3)	-	22,520	22,520
Deferred revenue	8,339	-	8,339
Total liabilities	<u>63,573</u>	<u>24,862</u>	<u>88,435</u>
Net Assets			
Invested in capital assets	118,905	-	118,905
Unrestricted	<u>11,519</u>	<u>(24,862)</u>	<u>(13,343)</u>
Total net assets	<u>\$ 130,424</u>	<u>\$ (24,862)</u>	<u>\$ 105,562</u>

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2008

	<u>School Nutrition</u>	<u>Nonmajor Enterprise</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for services	\$ 536,449	\$ 60,534	\$ 596,983
Operating expenses:			
Support services:			
Purchased services	246	-	246
Supplies	1,910	-	1,910
	<u>2,156</u>	<u>-</u>	<u>2,156</u>
Non-instructional programs:			
Salaries	319,226	47,816	367,042
Benefits	96,973	5,505	102,478
Purchased services	326	8,600	8,926
Supplies	399,780	3,322	403,102
Depreciation	14,329	-	14,329
	<u>830,634</u>	<u>65,243</u>	<u>895,877</u>
Total expenses	<u>832,790</u>	<u>65,243</u>	<u>898,033</u>
Operating loss	<u>(296,341)</u>	<u>(4,709)</u>	<u>(301,050)</u>
Non-operating revenues:			
Interest on investments	1,517	-	1,517
State sources	8,518	-	8,518
Federal sources	275,891	-	275,891
Total non-operating revenues	<u>285,926</u>	<u>-</u>	<u>285,926</u>
Change in net assets	(10,415)	(4,709)	(15,124)
Net assets beginning of year	<u>140,839</u>	<u>(20,153)</u>	<u>120,686</u>
Net assets end of year	<u>\$ 130,424</u>	<u>\$ (24,862)</u>	<u>\$ 105,562</u>

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2008

	School Nutrition	Nonmajor Enterprise	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 531,421	\$ -	\$ 531,421
Cash received from miscellaneous operating activities	13,206	60,534	73,740
Cash payments to employees for services	(408,004)	(53,300)	(461,304)
Cash payments to suppliers for goods or services	(370,977)	(12,199)	(383,176)
Net cash used in operating activities	<u>(234,354)</u>	<u>(4,965)</u>	<u>(239,319)</u>
Cash flows from non-capital financing activities:			
State grants received	8,518	-	8,518
Federal grants received	244,888	-	244,888
Increase in due to other funds	-	4,965	4,965
Net cash provided by non-capital financing activities	<u>253,406</u>	<u>4,965</u>	<u>258,371</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(19,906)	-	(19,906)
Cash flows from investing activities:			
Interest on investments	<u>1,517</u>	-	<u>1,517</u>
Net increase in cash and cash equivalents	663	-	663
Cash and cash equivalents beginning of year	<u>42,449</u>	-	<u>42,449</u>
Cash and cash equivalents end of year	<u>\$ 43,112</u>	<u>\$ -</u>	<u>\$ 43,112</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2008

	<u>School Nutrition</u>	<u>Nonmajor Enterprise</u>	<u>Total</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (296,341)	\$ (4,709)	\$ (301,050)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	14,329	-	14,329
Commodities used	31,164	-	31,164
(Increase) in accounts receivable	(161)	-	(161)
Decrease in inventories	292	-	292
(Decrease) in accounts payable	(171)	(277)	(448)
Increase in salaries and benefits payable	8,195	21	8,216
Increase in deferred revenue	8,339	-	8,339
Net cash used by operating activities	<u>\$ (234,354)</u>	<u>\$ (4,965)</u>	<u>\$ (239,319)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$31,164 of federal commodities.

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2008

	Private Purpose Trust	<u>Scholarship</u>
Assets:		
Cash and pooled investments	\$ 21,008	
Accounts receivable		<u>8</u>
Total assets		<u>21,016</u>
Liabilities:		
None		<u>-</u>
Net assets:		
Reserved for scholarships	\$	<u><u>21,016</u></u>

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 Year Ended June 30, 2008

		<u>Private Purpose Trust</u>
		<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$	7,661
Interest		<u>11,415</u>
Total additions		<u>19,076</u>
Deductions:		
Support services:		
Scholarships awarded		33,335
Other		<u>540,952</u>
		<u>574,287</u>
Change in net assets		(555,211)
Net assets beginning of year		<u>576,227</u>
Net assets end of year	\$	<u><u>21,016</u></u>
See notes to financial statements.		

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies

Grinnell-Newburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Grinnell and Newburg, Iowa, and agricultural territory in Poweshiek and Jasper Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Grinnell-Newburg Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District 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 District are such that exclusion would cause the District'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 District 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 District. Grinnell-Newburg Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Poweshiek County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

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

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues 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 restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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 expenditures, including instructional, support and other costs.

The Special Revenue Fund, Physical Plant and Equipment Levy is used to account for facility maintenance, vehicles and non-instructional supplies costs.

The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

Interfund receivables and payables – During the course of its operations the District has transactions between funds. To the extent certain transactions between funds had not been repaid as of June 30, 2008, balances of interfund accounts receivable and payable have been recorded in the fund financial statements. These balances are eliminated on the face of the government-wide statement of net assets.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	20,000
Improvements other than buildings	20,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	40 years
Improvements other than buildings	20 years
Furniture and equipment	4-12 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unearned meal revenues.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide Statement of Net Assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation as of June 30, 2008 consists of \$2,423,577.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2008 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 District 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 Board of Education; 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.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 2. Cash and Pooled Investments (continued)

At June 30, 2008, the District had investments as follows:

	Amortized Cost
Money market mutual funds	\$ 295,628
Iowa Schools Joint Investment Trust, Diversified Portfolio	5,949
	\$ 301,577

The investments in the Iowa Schools Joint Investment Trust, Diversified Portfolio are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the money market mutual funds are valued at fair value.

Credit Risk – The investments in the Iowa Schools Joint Investment Trust and money market mutual funds were rated Aaa by Moody’s Investors Service.

Note 3. Interfund Receivables/Payables

The detail of interfund receivables and payables at June 30, 2008 is as follows:

Due to	Due from	Amount
Amounts due to pooled cash:		
General fund	Nonmajor Enterprise Fund, After School Program	\$ 22,520

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 2,159,415

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

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 52,500	\$ -	\$ -	\$ 52,500
Construction in progress	13,429,512	248,278	13,677,790	-
Total capital assets not being depreciated	<u>13,482,012</u>	<u>248,278</u>	<u>13,677,790</u>	<u>52,500</u>
Capital assets being depreciated:				
Buildings	13,347,319	13,677,790	-	27,025,109
Improvements other than buildings	332,010	-	-	332,010
Furniture and equipment	1,213,539	124,528	28,061	1,310,006
Total capital assets being depreciated	<u>14,892,868</u>	<u>13,802,318</u>	<u>28,061</u>	<u>28,667,125</u>
Less accumulated depreciation for:				
Buildings	5,347,180	478,146	-	5,825,326
Improvements other than buildings	51,029	17,374	-	68,403
Furniture and equipment	821,778	101,873	28,061	895,590
Total accumulated depreciation	<u>6,219,987</u>	<u>597,393</u>	<u>28,061</u>	<u>6,789,319</u>
Total capital assets being depreciated, net	<u>8,672,881</u>	<u>13,204,925</u>	<u>-</u>	<u>21,877,806</u>
Governmental activities capital assets, net	<u>\$ 22,154,893</u>	<u>\$ 13,453,203</u>	<u>\$ 13,677,790</u>	<u>\$ 21,930,306</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 5. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 232,939	\$ 19,906	\$ 13,605	\$ 239,240
Less accumulated depreciation	119,611	14,329	13,605	120,335
Business-type activities capital assets, net	<u>\$ 113,328</u>	<u>\$ 5,577</u>	<u>\$ -</u>	<u>\$ 118,905</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Support services:

Instructional staff	\$ 12,439
Administration	10,187
Operation and maintenance of plant services	116,599
Transportation	<u>139,225</u>
Unallocated depreciation	<u>458,168</u>

Total governmental activities depreciation expense \$ 597,393

Business-type activities:

 Food service operations \$ 14,329

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Early Retirement	General Obligation Bonds	School Infrastructure Sales and Services Tax Revenue Bonds	Compensated Absences	Total
Balance beginning of year	\$ 360,151	\$ 7,555,000	\$ 5,215,000	\$ 17,057	\$ 13,147,208
Additions	269,595	-	-	7,980	277,575
Reductions	329,284	560,000	1,970,000	17,057	2,876,341
Balance end of year	<u>\$ 300,462</u>	<u>\$ 6,995,000</u>	<u>\$ 3,245,000</u>	<u>\$ 7,980</u>	<u>\$ 10,548,442</u>
Due within one year	<u>\$ 287,912</u>	<u>\$ 570,000</u>	<u>\$ 975,000</u>	<u>\$ 7,980</u>	<u>\$ 1,840,892</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of service to the District, and continuously worked a minimum of the most previous five years for the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement benefit for each eligible employee is based on salary and length of service for certified employees and length of service for support employees.

At June 30, 2008, the District has obligations to 17 participants with a total liability of \$300,462. Actual early retirement expenditures for the year ended June 30, 2008 totaled \$329,284. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 6. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	General Obligation Refunding Bonds Issue dated October 1, 2002		
	Interest Rates	Principal	Interest
2009	3.00-3.10 %	\$ 400,000	\$ 114,500
2010	3.10-3.25	400,000	102,200
2011	3.25-3.35	400,000	89,350
2012	3.35-3.45	400,000	76,050
2013	3.45-3.60	400,000	62,350
2014	3.60-3.75	430,000	48,100
2015	3.75-3.875	450,000	31,656
2016	3.875-4.00	475,000	14,359
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
		<u>\$ 3,355,000</u>	<u>\$ 538,565</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 6. Long-Term Liabilities (continued)

Bonds Payable (continued)

Year Ending June 30,	General Obligation Bonds Issue dated November 1, 2003			Total	
	Interest Rates	Principal	Interest	Principal	Interest
2009	2.65 %	\$ 170,000	\$ 145,200	\$ 570,000	\$ 259,700
2010	3.00	185,000	140,696	585,000	242,896
2011	3.35	190,000	135,146	590,000	224,496
2012	3.55	205,000	128,780	605,000	204,830
2013	3.70	225,000	121,502	625,000	183,852
2014	3.85	220,000	113,178	650,000	161,278
2015	3.90	230,000	104,708	680,000	136,364
2016	3.95	235,000	95,738	710,000	110,097
2017	4.05	250,000	86,456	250,000	86,456
2018	4.15	260,000	76,330	260,000	76,330
2019	4.25	270,000	65,540	270,000	65,540
2020	4.35	280,000	54,066	280,000	54,066
2021	4.45	295,000	41,866	295,000	41,866
2022	4.55	305,000	28,758	305,000	28,758
2023	4.65	320,000	14,880	320,000	14,880
		<u>\$ 3,640,000</u>	<u>\$ 1,352,844</u>	<u>\$ 6,995,000</u>	<u>\$ 1,891,409</u>

During the year ended June 30, 2008, the District retired \$560,000 in general obligation bonds.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 6. Long-Term Liabilities (continued)

Bonds Payable (continued)

Details of the District's June 30, 2008 revenue bonded indebtedness are as follows:

Year Ending June 30,	School Infrastructure Local Option Sales and Services Tax Revenue Bonds Issue dated September 1, 2002			School Infrastructure Local Option Sales and Services Tax Revenue Bonds Issue dated December 1, 2003		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2009	4.00 %	\$ 100,000	\$ 20,350	3.75 %	\$ 300,000	\$ 65,205
2010	4.00	100,000	16,350	4.00	315,000	53,955
2011	4.05	100,000	12,350	3.80	335,000	41,355
2012	4.10	100,000	8,300	3.95	350,000	28,623
2013	4.20	100,000	4,200	4.00	370,000	14,800
		<u>\$ 500,000</u>	<u>\$ 61,550</u>		<u>\$ 1,670,000</u>	<u>\$ 203,938</u>

Year Ending June 30,	School Infrastructure Local Option Sales and Services Tax Revenue Bonds Issue dated January 19, 2005			Total	
	Interest Rates	Principal	Interest	Principal	Interest
2009	3.50 %	\$ 575,000	\$ 38,625	\$ 975,000	\$ 124,180
2010	3.70	500,000	18,500	915,000	88,805
2011	3.80	-	-	435,000	53,705
2012	3.90	-	-	450,000	36,923
2013	3.05	-	-	470,000	19,000
		<u>\$ 1,075,000</u>	<u>\$ 57,125</u>	<u>\$ 3,245,000</u>	<u>\$ 322,613</u>

During the year ended June 30, 2008, the District retired \$1,970,000 in revenue bonded indebtedness.

The resolution providing for the issuance of the local option sales and services tax revenue bonds included the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the local option sales and service tax revenues received by the District, and the bond holders hold a lien on the future revenues received.
- (b) Sufficient monthly deposits shall be made to the debt service sinking account for the purpose of making the bond principal and interest payments when due.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 6. Long-Term Liabilities (continued)

Bonds Payable (continued)

- (c) Separate bond reserve funds will be maintained in the amount of \$377,500 to be used solely for the purpose of paying principal and interest in the event the District does not have sufficient local option sales and services tax revenue for the purpose.

The District did not comply with all of the revenue bond provisions during the year ended June 30, 2008. Some transfers were not made timely to the Sinking Account and the required amount for the next payment on the bonds dated January 19, 2005 had not been transferred to the sinking account as of June 30, 2008.

The District pledged future local option sales and services tax revenues to repay the \$1,025,000 bonds issued in 2002, the \$2,750,000 bonds issued in 2003, and the \$2,815,000 bonds issued in 2005. The bonds were issued for the purpose of financing a portion of the costs of various construction projects in the District. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2013. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 90 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$3,567,613. For the current year, principal and interest paid on the bonds totaled \$2,167,891 due to the prepayment of \$1,085,000 of principal, and total local option sales and services tax revenues were \$1,187,478.

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$586,182, \$520,101, and \$471,101, respectively, equal to the required contributions for each year.

Note 8. Risk Management

Grinnell-Newburg Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$588,211 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Required Supplementary Information

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
 Budget and Actual – All Governmental Funds
 and Proprietary Fund
 Required Supplementary Information
 Year Ended June 30, 2008

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 9,419,271	\$ 598,500	\$ 10,017,771	\$ 10,497,494	\$ (479,723)
State sources	8,410,860	8,518	8,419,378	8,269,198	150,180
Federal sources	429,269	275,891	705,160	520,000	185,160
Total revenues	18,259,400	882,909	19,142,309	19,286,692	(144,383)
EXPENDITURES/EXPENSES:					
Instruction	10,182,778	-	10,182,778	10,800,000	617,222
Support services	5,469,403	2,156	5,471,559	6,010,000	538,441
Non-instructional programs	22,930	895,877	918,807	1,040,000	121,193
Other expenditures	3,887,599	-	3,887,599	5,042,530	1,154,931
Total expenditures/expenses	19,562,710	898,033	20,460,743	22,892,530	2,431,787
Excess (deficiency) of revenues over (under) expenditures/ expenses	(1,303,310)	(15,124)	(1,318,434)	(3,605,838)	2,287,404
Other financing sources, net	10,872	-	10,872	-	10,872
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	(1,292,438)	(15,124)	(1,307,562)	(3,605,838)	2,298,276
Balance beginning of year	5,298,396	120,686	5,419,082	4,478,481	940,601
Balance end of year	\$ <u>4,005,958</u>	\$ <u>105,562</u>	\$ <u>4,111,520</u>	\$ <u>872,643</u>	\$ <u>3,238,877</u>

See accompanying independent auditor's report.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2008

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures did not exceed the amounts budgeted.

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Other Supplementary Information

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2008

	<u>Special Revenue</u>			<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Capital Projects</u>	
Assets				
Cash and pooled investments	\$ 244,850	\$ 165,155	\$ 836,487	\$ 1,246,492
Receivables:				
Property tax:				
Current year	9,126	-	-	9,126
Succeeding year	470,000	-	-	470,000
Accounts	57	2,570	-	2,627
Due from other governments	-	-	211,929	211,929
	<hr/>			
Total assets	<u>\$ 724,033</u>	<u>\$ 167,725</u>	<u>\$ 1,048,416</u>	<u>\$ 1,940,174</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 4,324	\$ 11,031	\$ -	\$ 15,355
Deferred revenue:				
Succeeding year property tax	470,000	-	-	470,000
Total liabilities	<u>474,324</u>	<u>11,031</u>	<u>-</u>	<u>485,355</u>
Fund equity:				
Fund balances:				
Reserved for:				
Revenue bond reserve funds	-	-	377,500	377,500
Unreserved:				
Undesignated	249,709	156,694	670,916	1,077,319
Total fund equity	<u>249,709</u>	<u>156,694</u>	<u>1,048,416</u>	<u>1,454,819</u>
	<hr/>			
Total liabilities and fund equity	<u>\$ 724,033</u>	<u>\$ 167,725</u>	<u>\$ 1,048,416</u>	<u>\$ 1,940,174</u>

See accompanying independent auditor's report.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	<u>Special Revenue</u>			<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Capital Projects</u>	
Revenues:				
Local sources:				
Local tax	\$ 562,902	\$ 511,905	\$ 1,187,478	\$ 2,262,285
Other	17,399	-	114,040	131,439
State sources	361	-	-	361
Total revenues	<u>580,662</u>	<u>511,905</u>	<u>1,301,518</u>	<u>2,394,085</u>
Expenditures:				
Current:				
Instruction	202,691	470,036	-	672,727
Support services:				
Student services	2,248	-	-	2,248
Instructional staff services	-	30	-	30
Administration services	255,563	-	-	255,563
Operation and maintenance of plant services	95,743	-	-	95,743
Transportation services	17,999	-	-	17,999
Non instructional programs	22,930	-	-	22,930
Other expenditures:				
Facilities acquisition	-	-	248,279	248,279
Total expenditures	<u>597,174</u>	<u>470,066</u>	<u>248,279</u>	<u>1,315,519</u>
Excess (deficiency) of revenues over (under) expenditures	(16,512)	41,839	1,053,239	1,078,566
Other financing uses:				
Interfund transfers out	-	-	(2,159,415)	(2,159,415)
Net change in fund balances	(16,512)	41,839	(1,106,176)	(1,080,849)
Fund balances beginning of year	<u>266,221</u>	<u>114,855</u>	<u>2,154,592</u>	<u>2,535,668</u>
Fund balances end of year	<u>\$ 249,709</u>	<u>\$ 156,694</u>	<u>\$ 1,048,416</u>	<u>\$ 1,454,819</u>

See accompanying independent auditor's report.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
District-Wide:				
Local Project	\$ (1,496)	\$ -	\$ -	(1,496)
Gifts and Donations	2,123	-	2,315	(192)
Student Activities	17,916	3,739	223	21,432
Pop Machine	(677)	335	508	(850)
Fine Arts	7,685	24,623	20,779	11,529
High School:				
Plays and Productions	1,433	20,136	15,576	5,993
Curtain Club	2,187	9,187	10,374	1,000
Speech	132	2,223	2,122	233
Vocal Music	2,545	3,000	4,168	1,377
Music Trip	3	-	-	3
Choir Robes	1,315	1,206	1,574	947
Band	6,111	8,635	10,914	3,832
Band Trip	440	200	558	82
Band Uniforms	761	1,200	1,355	606
SS Christmas Shares	97	43	-	140
Caps and Gowns	-	3,985	-	3,985
Coaches Club	290	800	1,020	70
Wellness Equip Fund	(2,676)	2,676	-	-
Track Club	3,958	10,319	13,571	706
Cross Country	528	1,029	1,055	502
Weightlifting Club	7,540	13,090	14,874	5,756
Boys Basketball	5,674	3,042	4,225	4,491
Boys Soccer	(852)	441	50	(461)
Boys Golf	2,293	643	1,293	1,643
Boys Swimming	(56)	95	-	39
Girls Basketball	830	5,723	3,943	2,610
Girls Soccer	2,223	2,502	3,648	1,077
Softball	6,915	5,871	2,843	9,943
Girls Swimming	80	3,338	3,425	(7)
Special Ed	583	325	-	908
Partners	5,690	1,615	3,548	3,757
Art Club	1,185	1,495	1,507	1,173
Chess Club	(42)	-	-	(42)
Cheerleaders	2,611	5,122	7,467	266
Graduates	1,535	-	-	1,535
Freshman Class	-	800	-	800
Sophomore Class	800	1,735	-	2,535
Junior Class	800	2,208	3,006	2
Senior Class	(221)	221	-	-

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School (continued):				
Debate	\$ 147	\$ 1,030	\$ 1,091	\$ 86
FFA	9,722	19,994	19,019	10,697
FBLA	-	8,843	8,043	800
Tiger Paws	(832)	12,596	11,632	132
Social Studies Trip	(321)	-	-	(321)
A.I.A.S.A.	290	-	-	290
International Club	255	161	384	32
Model U.N.	(236)	488	251	1
National Honor Society	436	150	802	(216)
Pep Club	(1,469)	-	-	(1,469)
Science Club	128	-	-	128
Spanish Club	2,086	-	-	2,086
Student Council	2,553	8,283	5,644	5,192
S.A.D.D.	558	140	426	272
Diversity Alliance	188	289	506	(29)
Grinnell Safe Homes	500	-	-	500
Mock Trial	307	-	-	307
Snack Bar	9,844	5,442	6,777	8,509
Locker Pop Machine	74	-	-	74
Yearbook	(51,625)	33,639	18,595	(36,581)
Library	98	39	-	137
Baseball Club	2,964	4,049	4,955	2,058
Boys Tennis Club	200	891	784	307
Wrestling Club	3,209	8,291	9,783	1,717
Volleyball Club	4,964	3,730	3,972	4,722
Girls Tennis Club	(44)	331	468	(181)
Girls Golf Club	537	-	55	482
Student Activities	(1,278)	8,332	5,011	2,043
Landscaping Fund	1,000	-	221	779
Building Fund - Bricks	1,059	250	1,000	309
Building Fund - Aud Seat	(53,034)	6,920	-	(46,114)
Activity Support Fee	-	10,500	10,380	120
High School Athletics	49,235	122,935	111,753	60,417
Middle School:				
Plays and Productions	922	892	1,208	606
Vocal Music	1,254	1,739	64	2,929
Band	2,450	5,246	4,634	3,062
Video Club	548	-	-	548
Chess Club	762	-	-	762
Campout	470	400	-	870

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Middle School (continued):				
After School Programs	\$ 367	\$ -	\$ -	367
Camp Grinnell	1,056	2,975	2,573	1,458
Science Club	906	-	-	906
Cross Country	-	140	-	140
Prairie Project	26	-	-	26
Student Council	9,996	35,456	33,187	12,265
S.A.D.D.	200	-	-	200
D.A.R.E.	2,601	-	-	2,601
Just Say No	200	-	-	200
Emergency Fund	131	-	-	131
Student Publication	303	-	-	303
Library	769	8,253	8,973	49
Student Activities	1,358	861	1,125	1,094
Principal's Account	4,075	1,488	4,992	571
PTO	1,087	928	768	1,247
Activity Support Fee	-	2,605	2,605	-
Middle School Athletics	(1,612)	27,636	26,162	(138)
Bailey Park Elementary:				
Elementary IBI	65	-	-	65
Youth Garden	769	-	-	769
Library	2,619	5,144	5,514	2,249
Student Activities	281	258	209	330
Principal's Account	7	957	1,064	(100)
Gifts and Donations	6,646	450	768	6,328
Activity Support Fee	-	2	-	2
Davis Elementary:				
Davis School Store	(1,347)	1,358	1,559	(1,548)
Library	2,265	6,958	7,426	1,797
Student Activities	9,885	987	763	10,109
Gifts and Donations	(353)	-	-	(353)
Fairview Elementary:				
Library	1,564	6,962	7,970	556
Student Activities	1,659	1,105	1,009	1,755
Principal's Account	(178)	178	-	-
Gifts and Donations	1,326	2	-	1,328
Total	\$ 114,855	\$ 511,905	\$ 470,066	\$ 156,694

See accompanying independent auditor's report.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2008	2007	2006	2005
Revenues:				
Local sources:				
Local tax	\$ 8,402,622	\$ 7,701,812	\$ 7,318,522	\$ 7,390,222
Tuition	507,751	457,114	464,648	325,740
Other	508,898	2,294,202	3,122,680	961,617
State sources	8,410,860	7,968,921	7,332,526	7,284,851
Federal sources	429,269	429,102	602,424	847,351
Total revenues	\$ 18,259,400	\$ 18,851,151	\$ 18,840,800	\$ 16,809,781
Expenditures:				
Instruction	\$ 10,182,778	\$ 10,186,119	\$ 9,201,079	\$ 8,831,816
Support services:				
Student services	365,780	361,383	382,760	393,872
Instructional staff services	523,850	438,521	421,309	332,472
Administration services	2,185,781	1,933,147	1,829,346	1,498,438
Operation and maintenance of plant services	1,711,156	1,878,062	1,446,013	1,268,503
Transportation services	682,836	711,329	525,710	489,462
Non-instructional programs	22,930	-	-	-
Other expenditures:				
Facilities acquisition	286,234	3,477,011	5,621,478	3,885,846
Long-term debt:				
Principal	2,530,000	1,080,000	895,000	795,000
Interest and fiscal charges	483,154	507,096	532,077	455,785
AEA flowthrough	588,211	557,625	515,676	513,154
Total expenditures	\$ 19,562,710	\$ 21,130,293	\$ 21,370,448	\$ 18,464,348

See accompanying independent auditor's report.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

Grantor / Program	CFDA Number	Grant Number	Expenditures
Direct:			
U. S. Department of Education:			
Fund for the Improvement of Education	84.215	FY 08	\$ <u>86,533</u>
Indirect:			
National Endowment for the Arts:			
Iowa Department of Cultural Affairs:			
Promotion of the Arts - Partnership Agreements	45.025	FY 08	<u>300</u>
U. S. Department of Agriculture:			
Iowa Department of Agriculture:			
Team Nutrition Grant	10.574	FY 08	<u>246</u>
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 08	40,677
National School Lunch Program (non-cash)	10.555	FY 08	31,164
National School Lunch Program	10.555	FY 08	<u>203,450</u>
			<u>275,291</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	2709-G-08	<u>148,302</u>
State Grants for Innovative Programs	84.298	FY 08	<u>2,178</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 08	<u>5,408</u>
Improving Teacher Quality State Grants	84.367	FY 08	<u>61,921</u>
Grants for State Assessments and Related Activities	84.369	FY 08	<u>12,243</u>
Area Education Agency #267:			
Special Education - Grants to States	84.027	FY 08	<u>90,091</u>
English Language Acquisition Grants	84.365	FY 08	<u>153</u>
Career and Technical Education - Basic Grants to States	84.048	FY 08	<u>16,213</u>
Total			\$ <u><u>698,879</u></u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Grinnell-Newburg Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

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 Board of Education of
Grinnell-Newburg Community School District:

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 Grinnell-Newburg Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 17, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We noted no material weaknesses during the course of our audit.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grinnell-Newburg Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Grinnell-Newburg Community School District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. 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.

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Grinnell-Newburg Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
December 17, 2008

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

To the Board of Education of
Grinnell-Newburg Community School District:

Compliance

We have audited the compliance of Grinnell-Newburg Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Grinnell-Newburg Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Grinnell-Newburg Community School District's management. Our responsibility is to express an opinion on Grinnell-Newburg Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Grinnell-Newburg Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Grinnell-Newburg Community School District's compliance with those requirements.

In our opinion, Grinnell-Newburg Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

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

A control deficiency in a District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control over compliance described in Part III of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We noted no material weaknesses during the course of our audit.

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

Oskaloosa, Iowa
December 17, 2008

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
 - Clustered programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Grinnell-Newburg Community School District did not qualify as a low-risk auditee.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

II-A-08 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. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this. The reconciliation is now prepared by a person only marginally involved in cash receipting and disbursing. Additionally, the District secretary reviews reconciliations and compares actual receipts to expected receipts.

Conclusion – Response accepted.

II-B-08 Activity Gate Admissions and Fundraisers – Football and other activity gate admissions and the change box were not reconciled with prenumbered tickets. In addition, we noted that the District requires no reconciliations for fundraising activities in relation to the Special Revenue, Student Activity Fund. We noted that approximately \$1,140 of gate receipt monies were stolen from a District safe overnight.

Recommendation – The District should establish reconciliation procedures for football and other activity gate admissions. The reconciliation should include the issuance of prenumbered tickets and the reconciling of the change box and admissions to the number of tickets issued. In addition, the District should strengthen controls over gate receipt cash by instituting use of a night deposit box at the bank and require the use of locked change bags with the key held by an employee independent of the gate collection process. In addition, the safe should never be left unattended when unlocked and the combination to the safe should be changed more often. The District should limit the number of people with access to the safe combination. The District should also establish a fundraiser reconciliation form to be completed by club sponsors which reconciles total receipts to total sales and bank deposits and calculates a projected profit margin which is compared to the actual profit margin realized.

Response – We will review our present procedures and consider the recommended reconciliation procedures. We will investigate the institution of a fundraising reconciliation for all club fundraisers. We will strengthen the controls over gate receipt monies and consider the above recommendations. The Activity Director has now implemented a numbered ticket system for the District's winter sports for the fiscal 2009 school year.

Conclusion – Response acknowledged. The District should establish procedures to permit the reconciliation of gate receipts to gate admission reports of tickets sold and fundraising reconciliations, as well as strengthen the controls over cash held by the District.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Significant Deficiency:

CFDA Number 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2008
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies
Federal Award Year: 2008
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-08 Segregation of Duties – One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible. The reconciliation is now done by a person who is only marginally involved in cash receipts/disbursements.

Conclusion – Response accepted.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-08 Certified Budget – Expenditures for the year ended June 30, 2008, did not exceed the amounts budgeted.
- IV-B-08 Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- IV-C-08 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-08 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Kevin Kolbe, Board Member	Officiating	\$ 350

In accordance with an Attorney General’s opinion dated November 9, 1976, the transaction with the Board Vice President does not appear to represent a conflict of interest.

- IV-E-08 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-08 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-08 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- IV-I-08 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-J-08 Deficit Balances – Several student activity accounts within the Special Revenue, Student Activity Fund had deficit balances at June 30, 2008. In addition, the Nonmajor Enterprise, After School Program Fund had a deficit balance of \$24,862 and the Business-type Activities of the District had an unrestricted net assets deficit of \$13,343.

Recommendation – The District should continue to investigate alternatives to eliminate the deficits in the Activity Fund. The District should investigate various ways to return the After School Program Fund to a sound condition.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-J-08 Deficit Balances (continued)

Response – The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year and we will analyze the After School Program Fund problems and eliminate the deficit balance.

Conclusion – Response accepted.

IV-K-08 Special Revenue, Student Activity Fund – The Special Revenue, Student Activity Fund should account only for the cocurricular activities of students not directly related to instructional programs or related expenditures. We noted several non-cocurricular accounts being accounted for in this fund, including accounts for library, wellness, building fund donations, special education instruction and landscaping expenditures. We also noted that parent-teacher organizations funds are accounted for, which should be independent of the District's records.

Recommendation – The District should analyze these accounts and transfer the balances to the proper fund as determined by the nature of the activity. These will include the General Fund, private purpose trust funds, and any other fund deemed applicable.

Response – We will consider this recommendation.

Conclusion – Response accepted.

IV-L-08 Public Funds Custodial Agreement – Chapter 12B.10C of the Code of Iowa requires that the District have a custody agreement for all accounts with a "sweep" type arrangement whereby funds in the account are swept out at night for investment in higher interest rate securities by the bank holding the account, then swept back into the District's account at the beginning of the next business day. The District has seven bank accounts with this type of arrangement but does not have the required custodial agreement.

Recommendation – The District should obtain the proper custodial agreement to comply with the Code of Iowa and to protect the underlying asset.

Response – We will try to obtain from the bank the proper custodial agreement as required.

Conclusion – Response accepted.

IV-M-08 Tiger's Den Coffee Shop – The District's special education students and teachers operate the Tiger's Den Coffee Shop. However, the transactions are accounted for through a separate bank account in the name of the Tiger's Den and are not included in District financial records. There is no review or approval of any disbursements and there is no accounting for any profit or loss.

Recommendation – The District should either establish a separate fund for the Tiger's Den or incorporate these transactions into the General Fund, and all transactions should be accounted for through District records.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-M-08 Tiger's Den Coffee Shop (continued)

Response – We will investigate alternatives as to the proper handling of Tiger's Den transactions.

Conclusion – Response accepted.

IV-N-08 Early Retirement Bonus – The District paid 5 employees a \$500 bonus for early notification of intent to take early retirement. No written policy has been adopted by the Board on this issue. This practice has been followed in prior years but was intentionally dropped by the District for the year ended June 30, 2008, and no bonus was noted as being paid to any other employees.

Recommendation – The District should follow policies as adopted by the Board of Education. The District should consult legal counsel to resolve this situation.

Response – We will consider our options in the resolution of this matter.

Conclusion – Response accepted.

IV-O-08 Proprietary Fund, School Nutrition Revenues – We noted in an analytical test comparing calculated lunch and breakfast revenues to actual revenues recorded that the actual revenues were approximately \$12,000 - \$13,000 less than the calculated amount based on total student meals served.

Recommendation – The District should investigate this difference and review their process of recording actual meal revenues.

Response – We will investigate this difference. We began using a deferred revenue account this year for all payments on meal accounts, as required by the Iowa Department of Education, and believe the error lies in this area.

Conclusion – Response accepted.

IV-P-08 Revenue Bonds – Some of the required transfers from the Revenue Account to the Sinking Account were not made timely by the District and for two of the bonds only semi annual transfers are being made instead of the required monthly transfers.

Recommendation – The District should make timely monthly transfers to the Sinking Account as required by the bond resolution.

Response – We will make more timely monthly transfers to the Debt Service Sinking Account.

Conclusion – Response accepted.