

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, 2009

TABLE OF CONTENTS

	Page
OFFICIALS	4
INDEPENDENT AUDITOR’S REPORT	5-6
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	7-15
BASIC FINANCIAL STATEMENTS	
Exhibit	
District-Wide Financial Statements:	
A Statement of Net Assets	18-19
B Statement of Activities	20-23
Governmental Fund Financial Statements:	
C Balance Sheet	24-25
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	26
E Statement of Revenues, Expenditures and Changes in Fund Balances	27-28
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	29
Proprietary Fund Financial Statements:	
G Statement of Net Assets	30
H Statement of Revenues, Expenses and Changes in Net Assets	31
I Statement of Cash Flows	32-33
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Net Assets	34
K Statement of Changes in Fiduciary Net Assets	35
Notes to Financial Statements	36-51
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund	54
Notes to Required Supplementary Information – Budgetary Reporting	55
Schedule of Funding Progress for the Retiree Health Plan	56
OTHER SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	58
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	59
3 Schedule of Changes in Special Revenue Fund, Student Activity Accounts	60-62
4 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	63
5 Schedule of Expenditures of Federal Awards	64-65
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	66-67

TABLE OF CONTENTS
(continued)

	Page
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	68-69
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	70-75

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2008 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 (Resigned September 24, 2008)	
Jeanette Budding	Board Member	2011
Carol Wilhelm	Board Member	2011

<u>Board of Education</u>		
(After September 2008 Election)		
Eric Pederson	President	2009
Jeanette Budding	Vice President	2011
Harriet Dickey-Chasins	Board Member	2009
Wanda Malden	Board Member	2009
Kevin Kolbe	Board Member	2009
Carol Wilhelm	Board Member	2011
Lynn Cavanagh	Board Member	2011

<u>School Officials</u>		
Edith Eckles	Superintendent	2011
Don Longhurst	District Secretary/Treasurer Director of Administrative Services (Resigned November, 2008)	
J.T. Anderson	District Secretary/Treasurer Business Manager (Appointed December 8, 2008)	2009
Donald L. Schild	Attorney	2009
Ahlers & Cooney, P.C.	Attorney	2009

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, 2009, 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, 2009, 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 4, 2009 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. 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, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 54 through 55 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 four years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements for the three years ended June 30, 2008. 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, and 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 our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
December 4, 2009

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, 2009. Please read it in conjunction with the district's financial statements.

Financial Highlights

- General Fund revenues increased from \$14,554,192 in FY08 to \$15,302,802 in FY09, while General Fund expenditures decreased from \$15,074,268 in FY08 to \$14,825,043 in FY09. Revenues exceeded expenditures by \$477,759 in FY09. In FY08, expenditures exceeded revenues by \$520,076.

The General Fund balance at June 30, 2009 was \$1,893,337 or 13% of general fund expenditures.

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.

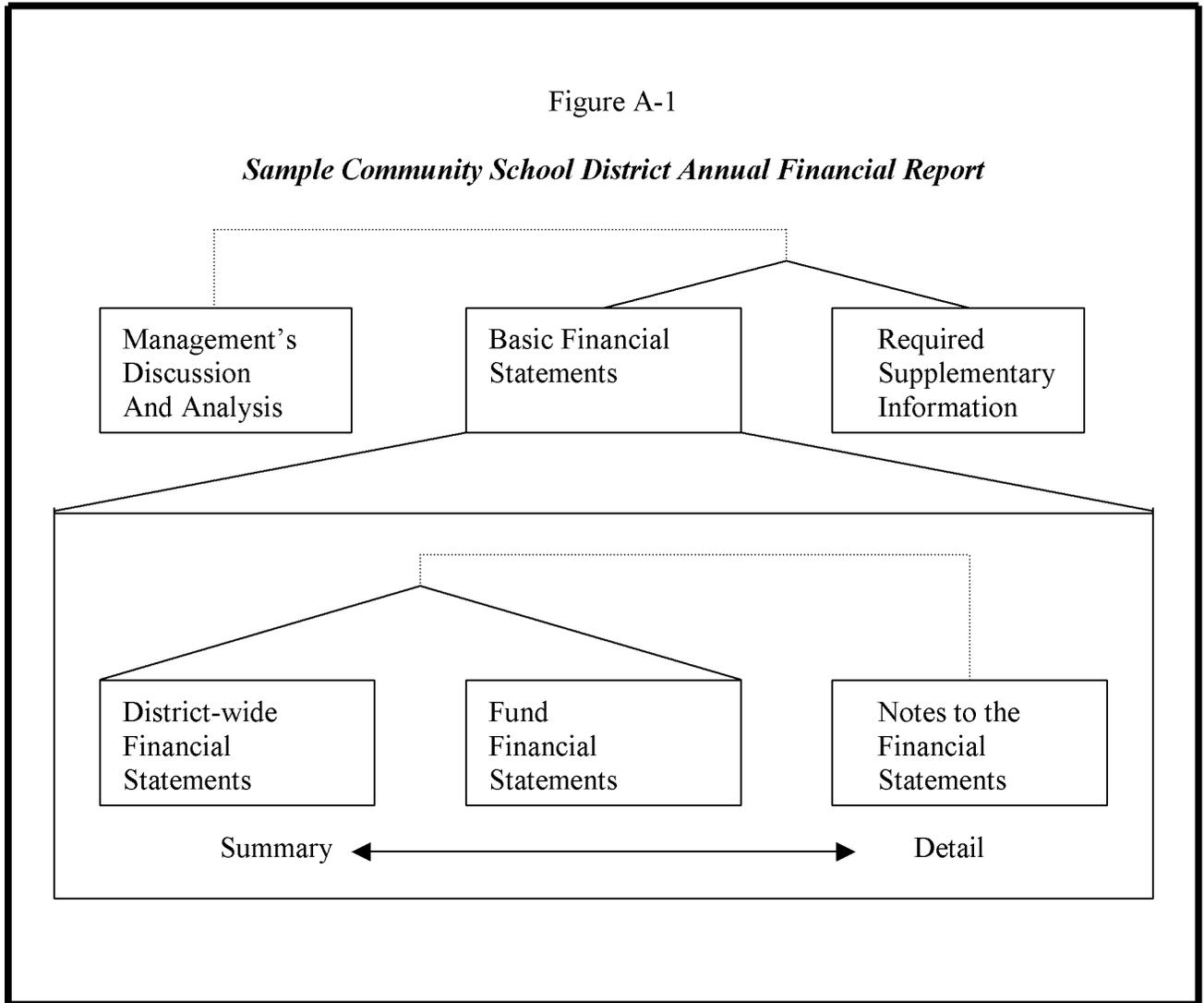


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents 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 2008 and 2009 follows:

Figure A-3
Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District	
	2009	2008	2009	2008	2009	2008
Assets:						
Current and other Assets	\$15,043,937	\$11,288,524	\$ 72,620	\$ 52,572	\$15,116,557	\$11,341,096
Capital assets	<u>21,375,319</u>	<u>21,930,306</u>	<u>121,675</u>	<u>118,905</u>	<u>21,496,994</u>	<u>22,049,211</u>
Total assets	36,419,256	33,218,830	194,295	171,477	36,613,551	33,390,307
Long-term obligations	8,640,526	10,548,442	3,746	-	8,644,272	10,548,442
Other obligations	<u>9,827,176</u>	<u>6,694,310</u>	<u>72,777</u>	<u>65,915</u>	<u>9,899,953</u>	<u>6,760,225</u>
Total liabilities	18,467,702	17,242,752	76,523	65,915	18,544,225	17,308,667
Net assets						
Invested in capital assets net of related debt	13,180,319	11,690,306	121,675	118,905	13,301,994	11,809,211
Restricted	2,651,464	2,423,577			2,651,464	2,423,577
Unrestricted	<u>2,119,771</u>	<u>1,862,195</u>	<u>(3,903)</u>	<u>(13,343)</u>	<u>2,115,868</u>	<u>1,848,852</u>
Total net assets	<u>\$17,951,554</u>	<u>\$15,976,078</u>	<u>\$117,772</u>	<u>\$105,562</u>	<u>\$18,069,326</u>	<u>\$16,081,640</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, 2009.

Figure A-4

Changes in Net Assets

	Governmental Activities		Business-type Activities		Total School District	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues:						
Program revenues:						
Charges for service & sales	\$ 1,178,037	\$ 1,189,483	\$ 656,816	\$ 596,983	\$ 1,834,853	\$ 1,786,466
Operating grants, contributions, and restricted interest	2,417,286	2,007,900	306,795	284,409	2,724,081	2,292,309
Capital grants, contributions and restricted interest	350,000	50,000	-	-	350,000	50,000
General revenues:						
Property tax	5,426,792	4,906,119	-	-	5,426,792	4,906,119
Debt Service	831,156	838,221	-	-	831,156	838,221
PPEL	308,511	274,720	-	-	308,511	274,720
Local Option Sales and Services tax	1,213,291	1,187,478	-	-	1,213,291	1,187,478
Income Surtax	735,401	706,002	-	-	735,401	706,002
Unrestricted state grants	6,724,468	6,921,885	-	-	6,724,468	6,921,885
Unrestricted interest earnings	66,546	149,371	705	1,517	67,251	150,888
Other	<u>66,253</u>	<u>52,699</u>	<u>-</u>	<u>-</u>	<u>66,253</u>	<u>52,699</u>
Total revenues	\$19,317,741	\$18,283,878	\$ 964,316	\$ 882,909	\$20,282,057	\$19,166,787
Program expenses:						
Governmental activities:						
Instruction	\$10,503,356	\$10,118,674	-	-	\$10,503,356	\$10,118,674
Support Services	5,117,743	5,479,438	16,773	2,156	5,134,516	5,481,594
Non-instructional programs	-	22,930	935,333	895,877	935,333	918,807
Other expenses	<u>1,721,166</u>	<u>1,533,425</u>	<u>-</u>	<u>-</u>	<u>1,721,166</u>	<u>1,533,425</u>
	\$17,342,265	\$17,154,467	\$952,106	\$898,033	\$18,294,371	\$18,052,500
Change in net assets	\$1,975,476	\$1,129,411	\$12,210	(\$15,124)	\$ 1,987,686	\$ 1,114,287

The major sources of 2009 revenues for the District were property tax and unrestricted state grants, accounting for 66% of the 2009 revenues. Other revenue sources were charges for sales and services, 9%; operating grants, contributions, and restricted interest, 13%; sales and services tax, 6%; income surtax, 4%; and other sources, 2%.

The District's expenses primarily relate to instruction and support services, which accounted for 85% of the total expenses.

Governmental Activities

Governmental activities revenues for 2009 were \$19,317,741 and expenses were \$17,342,265 resulting in a net asset increase of \$1,975,476.

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	
	2009	2008	2009	2008
Instruction	\$10,503,356	\$10,118,674	\$7,775,023	\$7,705,296
Support Services	5,117,743	5,479,438	4,863,564	5,283,644
Non-instructional programs				
Other expenses	<u>1,721,166</u>	<u>1,556,355</u>	<u>758,355</u>	<u>968,144</u>
Totals	\$17,342,265	\$17,154,467	\$13,396,942	\$13,957,084

- The cost financed by users of the District's programs was \$1,178,037 in 2009, compared to \$1,189,483 in 2008.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,417,286 in 2009, compared to \$2,007,900 in 2008. Capital grants and contributions provided an additional \$350,000 of funding in 2009.
- The net cost of governmental activities was financed with \$8,515,151 of property and other taxes, \$6,724,468 in unrestricted state funds, \$66,546 in unrestricted investment earnings, and \$66,253 in other revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$964,316 and expenses were \$952,106. The District's business-type activities include the School Nutrition Fund and after school program. 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 2009, its governmental funds reported combined fund balances of \$4,602,002.

Governmental Fund Highlights

The General Fund balance increased by \$477,759, as noted in the financial highlights at the beginning of the MD&A. This follows a decrease of fund balance of \$509,204 from the previous year. Nonmajor Governmental Funds and other fund balances remained relatively unchanged.

Proprietary Fund Highlights

The School Nutrition fund net assets decreased from \$130,424 in 2008 to \$121,201 in 2009. The District's After School Enterprise Fund (childcare) increased from (\$24,862) in 2008 to (\$3,429) in 2009. Beginning in fiscal year 2010, the district will no longer administer the After School Enterprise Fund.

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 major Special Revenue Funds are not presented as part of required supplementary information.

Legal Budgetary Highlights

The District's total actual revenues were \$373,676 less than the total projected certified budget revenues.

Total expenditures were \$2,597,026 less than budgeted. Budgeted expenses were overstated as 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, 2009 the District had invested \$21,375,319 net of accumulated depreciation of \$7,552,178, in a broad range of governmental capital assets, including land, buildings and building improvements, ground improvements, vehicles, and furniture. Business-type activities had invested \$121,675, net of accumulated depreciation of \$118,585, in capital assets. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$773,219 for governmental activities, and \$17,970 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 buildings and land improvements.

Figure A-6

	Capital Assets, net of Depreciation		
	Governmental Activities	Business-type Activities	Total School District
Land	\$ 52,500	\$ -	\$ 52,500
Buildings	20,710,347	-	20,710,347
Improvements, other than buildings	293,715	-	293,715
Furniture and equipment	<u>318,757</u>	<u>121,675</u>	<u>440,432</u>
Total	<u>\$21,375,319</u>	<u>\$121,675</u>	<u>\$21,496,994</u>

Long-Term Liabilities

At June 30, 2009 the District had long-term liabilities totaling \$8,640,526 of which \$346,614 was for early retirement benefits, and \$8,195,000 was for general-obligation and sales tax bond debt. More detailed information is available in Note 7 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 2009-10 was 1,728, an increase of 19 from the prior year. Enrollment is projected to decline by almost 100 students over the coming five 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.

This page intentionally left blank

Basic Financial Statements

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 4,943,571	\$ 65,152	\$ 5,008,723
Receivables:			
Property tax:			
Current year	119,479	-	119,479
Succeeding year	6,916,423	-	6,916,423
Income surtax	690,911	-	690,911
Interfund receivable (payable) (note 3)	3,466	(3,466)	-
Accounts	7,339	1,278	8,617
Due from other governments	727,429	8,408	735,837
Inventories	-	1,248	1,248
Restricted ISCAP assets (note 5):			
Investments	1,612,128	-	1,612,128
Accrued interest receivable	199	-	199
Prepaid expenses	22,992	-	22,992
Capital assets, net of accumulated depreciation (note 6)	21,375,319	121,675	21,496,994
Total assets	36,419,256	194,295	36,613,551
Liabilities			
Accounts payable	352,024	6,547	358,571
Salaries and benefits payable	796,945	57,274	854,219
Accrued interest payable	76,152	-	76,152
ISCAP warrants payable (note 5)	1,587,000	-	1,587,000
ISCAP accrued interest payable (note 5)	543	-	543
ISCAP unamortized premium (note 5)	30,721	-	30,721
Deferred revenue:			
Succeeding year property tax	6,916,423	-	6,916,423
Other	67,368	8,956	76,324
Long-term liabilities (note 7):			
Portion due within one year:			
Early retirement	346,614	-	346,614
Bonds payable	1,000,000	-	1,000,000
Compensated absences	2,658	-	2,658
Portion due after one year:			
Bonds payable	7,195,000	-	7,195,000
Net OPEB liability	96,254	3,746	100,000
Total liabilities	18,467,702	76,523	18,544,225

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2009

	<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	\$ 13,180,319	\$ 121,675	\$ 13,301,994
Restricted for:			
Categorical funding	111,631	-	111,631
Physical plant and equipment levy	1,075,931	-	1,075,931
Other special revenue purposes	203,972	-	203,972
Debt service	603,917	-	603,917
Capital projects	656,013	-	656,013
Unrestricted	<u>2,119,771</u>	<u>(3,903)</u>	<u>2,115,868</u>
Total net assets	<u>\$ 17,951,554</u>	<u>\$ 117,772</u>	<u>\$ 18,069,326</u>

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction	\$ 10,503,356	\$ 1,056,514	\$ 1,671,819	\$ -
Support services:				
Student services	394,965	75,073	28,012	-
Instructional staff services	400,339	-	97,793	-
Administration services	2,142,585	-	1,500	-
Operation and maintenance of plant services	1,533,642	6,382	-	-
Transportation services	646,212	40,068	5,351	-
	<u>5,117,743</u>	<u>121,523</u>	<u>132,656</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	90,317	-	-	350,000
Long-term debt interest and fiscal charges	367,283	-	-	-
AEA flowthrough	612,811	-	612,811	-
Depreciation (unallocated) *	650,755	-	-	-
	<u>1,721,166</u>	<u>-</u>	<u>612,811</u>	<u>350,000</u>
Total governmental activities	<u>17,342,265</u>	<u>1,178,037</u>	<u>2,417,286</u>	<u>350,000</u>
Business-Type Activities:				
Support services:				
Food service operations	16,773	-	-	-
Non-instructional programs:				
Food service operations	876,240	576,290	306,795	-
Other	59,093	80,526	-	-
	<u>935,333</u>	<u>656,816</u>	<u>306,795</u>	<u>-</u>
Total business-type activities	<u>952,106</u>	<u>656,816</u>	<u>306,795</u>	<u>-</u>
Total	<u>\$ 18,294,371</u>	<u>\$ 1,834,853</u>	<u>\$ 2,724,081</u>	<u>\$ 350,000</u>

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (7,775,023)	\$ -	\$ (7,775,023)
(291,880)	-	(291,880)
(302,546)	-	(302,546)
(2,141,085)	-	(2,141,085)
(1,527,260)	-	(1,527,260)
(600,793)	-	(600,793)
(4,863,564)	-	(4,863,564)
259,683	-	259,683
(367,283)	-	(367,283)
-	-	-
(650,755)	-	(650,755)
(758,355)	-	(758,355)
(13,396,942)	-	(13,396,942)
-	(16,773)	(16,773)
-	6,845	6,845
-	21,433	21,433
-	28,278	28,278
-	11,505	11,505
(13,396,942)	11,505	(13,385,437)

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Income surtax

Statewide 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

Governmental Activities	Business-Type Activities	Total
\$ 5,426,792	\$ -	\$ 5,426,792
831,156	-	831,156
308,511	-	308,511
735,401	-	735,401
1,213,291	-	1,213,291
6,724,468	-	6,724,468
66,546	705	67,251
66,253	-	66,253
15,372,418	705	15,373,123
1,975,476	12,210	1,987,686
15,976,078	105,562	16,081,640
\$ 17,951,554	\$ 117,772	\$ 18,069,326

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and pooled investments	\$ 2,462,255	\$ 288,071	\$ 2,193,245	\$ 4,943,571
Receivables:				
Property tax:				
Current year	89,484	14,498	15,497	119,479
Succeeding year	5,167,780	828,496	920,147	6,916,423
Income surtax	518,183	-	172,728	690,911
Interfund receivable (note 3)	3,466	-	-	3,466
Accounts	6,663	-	676	7,339
Due from other governments	515,529	-	211,900	727,429
Restricted ISCAP assets (note 5):				
Investments	1,612,128	-	-	1,612,128
Accrued interest receivable	199	-	-	199
Prepaid expenses	22,992	-	-	22,992
 Total assets	 <u>\$ 10,398,679</u>	 <u>\$ 1,131,065</u>	 <u>\$ 3,514,193</u>	 <u>\$ 15,043,937</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 336,802	\$ -	\$ 15,222	\$ 352,024
Salaries and benefits payable	796,945	-	-	796,945
ISCAP warrants payable (note 5)	1,587,000	-	-	1,587,000
ISCAP accrued interest payable (note 5)	543	-	-	543
ISCAP unamortized premium (note 5)	30,721	-	-	30,721
Deferred revenue:				
Succeeding year property tax	5,167,780	828,496	920,147	6,916,423
Other	585,551	-	172,728	758,279
Total liabilities	<u>8,505,342</u>	<u>828,496</u>	<u>1,108,097</u>	<u>10,441,935</u>
Fund balance:				
Reserved for:				
Categorical funding	111,631	-	-	111,631
Revenue bond sinking funds	-	242,653	-	242,653
Revenue bond reserve funds	-	-	377,500	377,500
Prepaid expenses	22,992	-	-	22,992
Debt service	-	59,916	-	59,916
Unreserved, reported in:				
General fund	1,758,714	-	-	1,758,714
Special revenue funds	-	-	1,372,583	1,372,583
Capital projects fund	-	-	656,013	656,013
Total fund balances	<u>1,893,337</u>	<u>302,569</u>	<u>2,406,096</u>	<u>4,602,002</u>
Total liabilities and fund balances	<u>\$ 10,398,679</u>	<u>\$ 1,131,065</u>	<u>\$ 3,514,193</u>	<u>\$ 15,043,937</u>

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, 2009

Total fund balances of governmental funds	\$ 4,602,002
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.	21,375,319
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.	(76,152)
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>(8,640,526)</u>
Net assets of governmental activities	<u><u>\$ 17,951,554</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, 2009

	General	Debt Service	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 5,424,281	\$ 830,722	\$ 2,256,358	\$ 8,511,361
Tuition	512,273	-	-	512,273
Other	289,680	1,758	925,180	1,216,618
State sources	8,461,345	435	486	8,462,266
Federal sources	615,223	-	-	615,223
Total revenues	<u>15,302,802</u>	<u>832,915</u>	<u>3,182,024</u>	<u>19,317,741</u>
Expenditures:				
Current:				
Instruction	9,624,933	-	757,672	10,382,605
Support services:				
Student services	394,964	-	-	394,964
Instructional staff services	400,339	-	-	400,339
Administration services	1,862,550	-	255,085	2,117,635
Operation and maintenance of plant services	1,392,676	-	116,681	1,509,357
Transportation services	536,770	-	19,881	556,651
	<u>4,587,299</u>	<u>-</u>	<u>391,647</u>	<u>4,978,946</u>
Other expenditures:				
Facilities acquisition	-	-	308,549	308,549
Long term debt:				
Principal	-	2,045,000	-	2,045,000
Interest and fiscal charges	-	393,786	-	393,786
AEA flowthrough	612,811	-	-	612,811
	<u>612,811</u>	<u>2,438,786</u>	<u>308,549</u>	<u>3,360,146</u>
Total expenditures	<u>14,825,043</u>	<u>2,438,786</u>	<u>1,457,868</u>	<u>18,721,697</u>
Excess (deficiency) of revenues over (under) expenditures	<u>477,759</u>	<u>(1,605,871)</u>	<u>1,724,156</u>	<u>596,044</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Other financing sources (uses):				
Interfund transfers in (note 4)	\$ -	\$ 1,603,988	\$ -	\$ 1,603,988
Interfund transfers out (note 4)	-	-	(1,603,988)	(1,603,988)
Total other financing sources (uses)	<u>-</u>	<u>1,603,988</u>	<u>(1,603,988)</u>	<u>-</u>
Net change in fund balances	477,759	(1,883)	120,168	596,044
Fund balances beginning of year	<u>1,415,578</u>	<u>304,452</u>	<u>2,285,928</u>	<u>4,005,958</u>
Fund balances end of year	<u>\$ 1,893,337</u>	<u>\$ 302,569</u>	<u>\$ 2,406,096</u>	<u>\$ 4,602,002</u>

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, 2009

Net change in fund balances - total governmental funds \$ 596,044

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	\$ 218,232	
Depreciation expense	<u>(773,219)</u>	(554,987)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 2,045,000

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. 26,503

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, as follows:

Early retirement	(46,152)	
Compensated absences	5,322	
Net OPEB liability	<u>(96,254)</u>	<u>(137,084)</u>

Change in net assets of governmental activities \$ 1,975,476

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009

	<u>School Nutrition</u>	<u>Nonmajor Enterprise</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 65,152	\$ -	\$ 65,152
Accounts receivable	273	1,005	1,278
Due from other governments	8,408	-	8,408
Inventories	1,248	-	1,248
Capital assets, net of accumulated depreciation (note 6)	121,675	-	121,675
Total assets	<u>196,756</u>	<u>1,005</u>	<u>197,761</u>
Liabilities			
Accounts payable	5,997	550	6,547
Salaries and benefits payable	57,274	-	57,274
Interfund payable (note 3)	-	3,466	3,466
Deferred revenue	8,956	-	8,956
Net OPEB liability (note 7)	3,328	418	3,746
Total liabilities	<u>75,555</u>	<u>4,434</u>	<u>79,989</u>
Net Assets			
Invested in capital assets	121,675	-	121,675
Unrestricted	<u>(474)</u>	<u>(3,429)</u>	<u>(3,903)</u>
Total net assets	<u>\$ 121,201</u>	<u>\$ (3,429)</u>	<u>\$ 117,772</u>

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2009

	<u>School Nutrition</u>	<u>Nonmajor Enterprise</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for services	\$ 576,290	\$ 80,526	\$ 656,816
Operating expenses:			
Support services:			
Purchased services	3,279	-	3,279
Supplies	6,782	-	6,782
Other	6,712	-	6,712
	<u>16,773</u>	<u>-</u>	<u>16,773</u>
Non-instructional programs:			
Salaries	342,544	43,074	385,618
Benefits	108,271	5,605	113,876
Purchased services	83	7,876	7,959
Supplies	407,372	2,538	409,910
Depreciation	17,970	-	17,970
	<u>876,240</u>	<u>59,093</u>	<u>935,333</u>
Total expenses	<u>893,013</u>	<u>59,093</u>	<u>952,106</u>
Operating income (loss)	<u>(316,723)</u>	<u>21,433</u>	<u>(295,290)</u>
Non-operating revenues:			
Interest on investments	705	-	705
State sources	8,025	-	8,025
Federal sources	298,770	-	298,770
Total non-operating revenues	<u>307,500</u>	<u>-</u>	<u>307,500</u>
Change in net assets	(9,223)	21,433	12,210
Net assets beginning of year	<u>130,424</u>	<u>(24,862)</u>	<u>105,562</u>
Net assets end of year	<u>\$ 121,201</u>	<u>\$ (3,429)</u>	<u>\$ 117,772</u>

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2009

	School Nutrition	Nonmajor Enterprise	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 563,961	\$ -	\$ 563,961
Cash received from miscellaneous operating activities	12,856	79,521	92,377
Cash payments to employees for services	(444,920)	(48,640)	(493,560)
Cash payments to suppliers for goods or services	(386,524)	(11,827)	(398,351)
Net cash provided by (used by) operating activities	<u>(254,627)</u>	<u>19,054</u>	<u>(235,573)</u>
Cash flows from non-capital financing activities:			
State grants received	8,025	-	8,025
Federal grants received	288,677	-	288,677
(Decrease) in due to other funds	-	(19,054)	(19,054)
Net cash provided by (used by) non-capital financing activities	<u>296,702</u>	<u>(19,054)</u>	<u>277,648</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(20,740)</u>	-	<u>(20,740)</u>
Cash flows from investing activities:			
Interest on investments	<u>705</u>	-	<u>705</u>
Net increase in cash and cash equivalents	22,040	-	22,040
Cash and cash equivalents beginning of year	<u>43,112</u>	-	<u>43,112</u>
Cash and cash equivalents end of year	<u>\$ 65,152</u>	<u>\$ -</u>	<u>\$ 65,152</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2009

	<u>School Nutrition</u>	<u>Nonmajor Enterprise</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:			
Operating income (loss)	\$ (316,723)	\$ 21,433	\$ (295,290)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:			
Depreciation	17,970	-	17,970
Commodities used	28,070	-	28,070
(Increase) in accounts receivable	(90)	(1,005)	(1,095)
Decrease in inventories	4,164	-	4,164
Increase (decrease) in accounts payable	5,470	(1,413)	4,057
Increase (decrease) in salaries and benefits payable	2,567	(379)	2,188
Increase in deferred revenue	617	-	617
Increase in net OPEB liability	3,328	418	3,746
Net cash provided by (used by) operating activities	<u>\$ (254,627)</u>	<u>\$ 19,054</u>	<u>\$ (235,573)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$28,070 of federal commodities.

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2009

	Private Purpose Trust
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>27,641</u>
Liabilities:	
None	<u>-</u>
Net assets:	
Reserved for scholarships	\$ <u><u>27,641</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, 2009

	<u>Private Purpose Trust</u> <u>Scholarship</u>
Additions: Local sources: Interest	\$ <u>6,825</u>
Deductions: Support services: Scholarships awarded	<u>200</u>
Change in net assets	6,625
Net assets beginning of year	<u>21,016</u>
Net assets end of year	<u><u>\$ 27,641</u></u>

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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 & 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, 2009

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 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, 2009

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, 2009

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, and non-negotiable certificates of deposit, which are stated at 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

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, 2009, 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, 2009

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, 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 the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, unearned Federal grant revenue, and unearned meal revenues.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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, 2009. 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, 2009 consists of \$2,651,464.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

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

The 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, 2009

Note 2. Cash and Pooled Investments (continued)

At June 30, 2009, the District had investments as follows:

	<u>Fair Value/ Amortized Cost</u>
Money market mutual funds	\$ 185,140
Iowa Schools Joint Investment Trust, Diversified Portfolio	<u>781,745</u>
	<u>\$ 966,885</u>

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, 2009 is as follows:

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
Amounts due to pooled cash:		
General Fund	Nonmajor Enterprise Fund, After School Program	\$ <u>3,466</u>

Note 4. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>1,603,988</u>

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, 2009

Note 5. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2009 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>	<u>Unamortized Premium</u>
2009-10A	6/25/2009	6/23/2010	\$ <u>1,612,128</u>	\$ <u>199</u>	\$ <u>1,587,000</u>	\$ <u>543</u>	\$ <u>30,721</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The District had no ISCAP advance activity in the General Fund for the year ended June 30, 2009.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2009-10A	2.50%	0.902%

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 52,500	\$ -	\$ -	\$ 52,500
Capital assets being depreciated:				
Buildings	27,025,109	164,472	-	27,189,581
Improvements other than buildings	332,010	48,699	-	380,709
Furniture and equipment	1,310,006	5,061	10,360	1,304,707
Total capital assets being depreciated	<u>28,667,125</u>	<u>218,232</u>	<u>10,360</u>	<u>28,874,997</u>
Less accumulated depreciation for:				
Buildings	5,825,326	653,908	-	6,479,234
Improvements other than buildings	68,403	18,591	-	86,994
Furniture and equipment	895,590	100,720	10,360	985,950
Total accumulated depreciation	<u>6,789,319</u>	<u>773,219</u>	<u>10,360</u>	<u>7,552,178</u>
Total capital assets being depreciated, net	<u>21,877,806</u>	<u>(554,987)</u>	<u>-</u>	<u>21,322,819</u>
Governmental activities capital assets, net	<u>\$ 21,930,306</u>	<u>\$ (554,987)</u>	<u>\$ -</u>	<u>\$ 21,375,319</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 6. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 239,240	\$ 20,740	\$ 19,720	\$ 240,260
Less accumulated depreciation	120,335	17,970	19,720	118,585
Business-type activities capital assets, net	<u>\$ 118,905</u>	<u>\$ 2,770</u>	<u>\$ -</u>	<u>\$ 121,675</u>

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

Governmental activities:	
Instruction	\$ 13,805
Support services:	
Administration	8,464
Operation and maintenance of plant services	14,312
Transportation	85,883
	<u>122,464</u>
Unallocated depreciation	<u>650,755</u>
Total governmental activities depreciation expense	<u>\$ 773,219</u>
Business-type activities:	
Enterprise operations	<u>\$ 17,970</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 300,462	\$ 334,064	\$ 287,912	\$ 346,614	\$ 346,614
General obligation bonds	6,995,000	-	570,000	6,425,000	585,000
Revenue bonds	3,245,000	-	1,475,000	1,770,000	415,000
Compensated absences	7,980	2,658	7,980	2,658	2,658
Net OPEB liability	-	96,254	-	96,254	-
Total	\$ 10,548,442	\$ 432,976	\$ 2,340,892	\$ 8,640,526	\$ 1,349,272
	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ -	\$ 3,746	\$ -	\$ 3,746	\$ -

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible certified employees must be at least age fifty-five and employees must have completed ten years of service, 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.

Eligible non-certified employees must be at least age sixty and have completed ten years of service to the District or at least age fifty-five with twenty years of service total, with the most previous five years for the District in either case.

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

At June 30, 2009, the District had obligations to 13 participants with a total liability of \$346,614. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$287,912. 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, 2009

Note 7. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	General Obligation Refunding Bonds Issue dated October 1, 2002			General Obligation Refunding Bonds Issue dated November 1, 2003			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
	2010	3.10-3.25 %	\$ 400,000	\$ 102,200	3.00 %	\$ 185,000	\$ 140,696	\$ 585,000
2011	3.25-3.35	400,000	89,350	3.35	190,000	135,146	590,000	224,496
2012	3.35-3.45	400,000	76,050	3.55	205,000	128,780	605,000	204,830
2013	3.45-3.60	400,000	62,350	3.70	225,000	121,502	625,000	183,852
2014	3.60-3.75	430,000	48,100	3.85	220,000	113,178	650,000	161,278
2015	3.75-3.875	450,000	31,656	3.90	230,000	104,708	680,000	136,364
2016	3.875-4.00	475,000	14,359	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>\$ 2,955,000</u>	<u>\$ 424,065</u>		<u>\$ 3,470,000</u>	<u>\$ 1,207,644</u>	<u>\$ 6,425,000</u>	<u>\$ 1,631,709</u>

During the year ended June 30, 2009, the District retired \$570,000 in general obligation bonds.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 7. Long-Term Liabilities (continued)

Bonds Payable (continued)

Details of the District's June 30, 2009 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			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2010	4.00 %	\$ 100,000	\$ 16,350	4.00 %	\$ 315,000	\$ 53,955	\$ 415,000	\$ 70,305
2011	4.05	100,000	12,350	3.80	335,000	41,355	435,000	53,705
2012	4.10	100,000	8,300	3.95	350,000	28,623	450,000	36,923
2013	4.20	100,000	4,200	4.00	370,000	14,800	470,000	19,000
		<u>\$ 400,000</u>	<u>\$ 41,200</u>		<u>\$ 1,370,000</u>	<u>\$ 138,733</u>	<u>\$ 1,770,000</u>	<u>\$ 179,933</u>

During the year ended June 30, 2009, the District retired \$1,475,000 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 services 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.
- (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, 2009. Some transfers were not made timely to the Sinking Account but the required amount for the next payment on the bonds was transferred to the sinking account as of June 30, 2009.

The District pledged future local option sales and services tax revenues to repay the \$1,025,000 bonds issued in 2002 and the \$2,750,000 bonds issued in 2003. 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. Annual principal and interest payments on the bonds are expected to require nearly 34 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$1,949,933. For the current year, principal and interest paid on the bonds totaled \$1,604,113 due to the prepayment of \$500,000 of principal, and total local option sales and services tax revenues were \$1,213,291.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 8. Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 240 active and 13 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Alliance Select. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 218,000
Interest on net OPEB obligation	3,000
Adjustment to annual required contribution	-
Annual OPEB cost	<u>221,000</u>
Contributions made	<u>(121,000)</u>
Increase in net OPEB obligation	100,000
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u><u>\$ 100,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

For the year ended June 30, 2009, the District contributed \$1,365,560 to the medical plan. Plan members eligible for benefits contributed \$146,403, or 9.7% of the premium costs.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 8. Other Postemployment Benefits (OPEB) (continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 221,000	54.75%	\$ 100,000

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$1,974,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,974,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$10,005,378, and the ratio of the UAAL to covered payroll was 19.73%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced .5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2008 and applying the termination factors used in the IPERS Actuarial Valuation Report as of June 30, 2008.

Projected claim costs of the medical plan are \$639 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 9. 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 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered payroll for the year ended June 30, 2009. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$624,253, \$586,182, and \$520,101, respectively, equal to the required contributions for each year.

Note 10. 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.

Note 11. 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 \$612,811 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

This page intentionally left blank

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, 2009

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 10,240,252	\$ 657,521	\$ 10,897,773	\$ 11,301,256	\$ (403,483)
State sources	8,462,266	8,025	8,470,291	8,584,477	(114,186)
Federal sources	615,223	298,770	913,993	770,000	143,993
Total revenues	19,317,741	964,316	20,282,057	20,655,733	(373,676)
EXPENDITURES/EXPENSES:					
Instruction	10,382,605	-	10,382,605	11,250,000	867,395
Support services	4,978,946	16,773	4,995,719	6,122,000	1,126,281
Non-instructional programs	-	935,333	935,333	1,048,000	112,667
Other expenditures	3,360,146	-	3,360,146	3,850,829	490,683
Total expenditures/expenses	18,721,697	952,106	19,673,803	22,270,829	2,597,026
Excess (deficiency) of revenues over (under) expenditures/ expenses	596,044	12,210	608,254	(1,615,096)	2,223,350
Balance beginning of year	4,005,958	105,562	4,111,520	2,817,725	1,293,795
Balance end of year	\$ 4,602,002	\$ 117,772	\$ 4,719,774	\$ 1,202,629	\$ 3,517,145

See accompanying independent auditor's report.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2009

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, 2009, expenditures did not exceed the amounts budgeted.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2008	\$ <u> -</u>	\$ <u>1,974,000</u>	\$ <u>1,974,000</u>	<u>0.0%</u>	\$ <u>10,005,378</u>	<u>19.73%</u>

See note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2009

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Capital Projects	
Assets					
Cash and pooled investments	\$ 255,292	\$ 215,749	\$ 900,591	\$ 821,613	\$ 2,193,245
Receivables:					
Property tax:					
Current year	10,116	-	5,381	-	15,497
Succeeding year	600,000	-	320,147	-	920,147
Income surtax	-	-	172,728	-	172,728
Accounts	-	676	-	-	676
Due from other governments	-	-	-	211,900	211,900
Total assets	\$ <u>865,408</u>	\$ <u>216,425</u>	\$ <u>1,398,847</u>	\$ <u>1,033,513</u>	\$ <u>3,514,193</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	\$ 12,453	\$ 2,769	\$ -	\$ 15,222
Deferred revenue:					
Succeeding year property tax	600,000	-	320,147	-	920,147
Other	-	-	172,728	-	172,728
Total liabilities	600,000	12,453	495,644	-	1,108,097
Fund balances:					
Reserved for:					
Revenue bond reserve funds	-	-	-	377,500	377,500
Unreserved:					
Undesignated	265,408	203,972	903,203	656,013	2,028,596
Total fund balances	265,408	203,972	903,203	1,033,513	2,406,096
Total liabilities and fund balances	\$ <u>865,408</u>	\$ <u>216,425</u>	\$ <u>1,398,847</u>	\$ <u>1,033,513</u>	\$ <u>3,514,193</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, 2009

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Total
Revenues:					
Local sources:					
Local tax	\$ 550,867	\$ -	\$ 492,200	\$ 1,213,291	\$ 2,256,358
Other	13,643	525,222	10,521	375,794	925,180
State sources	324	-	162	-	486
Total revenues	<u>564,834</u>	<u>525,222</u>	<u>502,883</u>	<u>1,589,085</u>	<u>3,182,024</u>
Expenditures:					
Current:					
Instruction	188,473	477,944	91,255	-	757,672
Support services:					
Administration services	255,085	-	-	-	255,085
Operation and maintenance of plant services	85,696	-	30,985	-	116,681
Transportation services	19,881	-	-	-	19,881
Other expenditures:					
Facilities acquisition	-	-	308,549	-	308,549
Total expenditures	<u>549,135</u>	<u>477,944</u>	<u>430,789</u>	<u>-</u>	<u>1,457,868</u>
Excess (deficiency) of revenues over (under) expenditures	15,699	47,278	72,094	1,589,085	1,724,156
Other financing uses:					
Interfund transfers out	-	-	-	(1,603,988)	(1,603,988)
Net change in fund balances	15,699	47,278	72,094	(14,903)	120,168
Fund balances beginning of year	<u>249,709</u>	<u>156,694</u>	<u>831,109</u>	<u>1,048,416</u>	<u>2,285,928</u>
Fund balances end of year	<u>\$ 265,408</u>	<u>\$ 203,972</u>	<u>\$ 903,203</u>	<u>\$ 1,033,513</u>	<u>\$ 2,406,096</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, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
District-Wide:				
Local Project	\$ (1,496)	\$ -	\$ 2,806	\$ (4,302)
Gifts and Donations	(192)	-	-	(192)
Student Activities	21,432	2,678	-	24,110
Pop Machine	(850)	42	-	(808)
Fine Arts	11,529	9,062	12,298	8,293
High School:				
Plays and Productions	5,993	9,100	10,088	5,005
Curtain Club	1,000	7,772	7,406	1,366
Speech	233	3,433	1,919	1,747
Vocal Music	1,377	3,488	1,963	2,902
Music Trip	3	-	-	3
Choir Robes	947	1,326	1,102	1,171
Band	3,832	4,654	2,433	6,053
Band Trip	82	-	-	82
Band Uniforms	606	1,002	1,078	530
SS Christmas Shares	140	60	80	120
Caps and Gowns	3,985	4,251	8,974	(738)
Coaches Club	70	1,285	1,220	135
Track Club	706	6,803	5,683	1,826
Cross Country	502	545	602	445
Weightlifting Club	5,756	7,564	9,470	3,850
Boys Basketball	4,491	6,393	6,556	4,328
Boys Soccer	(461)	1,708	1,733	(486)
Boys Golf	1,643	550	938	1,255
Boys Swimming	39	-	-	39
Girls Basketball	2,610	6,163	3,796	4,977
Girls Soccer	1,077	469	316	1,230
Softball	9,943	2,336	4,163	8,116
Girls Swimming	(7)	1,885	1,858	20
Special Ed	908	-	-	908
Partners	3,757	1,006	2,352	2,411
Art Club	1,173	979	1,495	657
Chess Club	(42)	-	-	(42)
Cheerleaders	266	11,467	6,045	5,688
Graduates	1,535	-	-	1,535
Freshman Class	800	-	-	800
Sophomore Class	2,535	-	-	2,535
Junior Class	2	6,088	4,998	1,092
Senior Class	-	2	-	2
Tiger's Den	-	1,279	303	976

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School (continued):				
F.C.C.L.A.	\$ -	\$ 529	\$ 1,530	\$ (1,001)
Football Club	-	3,780	-	3,780
Basic Training	-	6,613	1,169	5,444
Debate	86	1,220	983	323
FFA	10,697	23,630	23,505	10,822
FBLA	800	1,700	-	2,500
Tiger Paws	132	11,225	10,580	777
Social Studies Trip	(321)	-	-	(321)
A.I.A.S.A.	290	300	-	590
International Club	32	-	-	32
Model U.N.	1	303	284	20
National Honor Society	(216)	450	178	56
Pep Club	(1,469)	-	-	(1,469)
Science Club	128	-	-	128
Spanish Club	2,086	1,140	1,136	2,090
Student Council	5,192	3,685	7,828	1,049
S.A.D.D.	272	-	-	272
Diversity Alliance	(29)	-	-	(29)
Grinnell Safe Homes	500	-	-	500
Mock Trial	307	-	-	307
Snack Bar	8,509	4,139	5,450	7,198
Locker Pop Machine	74	-	-	74
Yearbook	(36,581)	29,544	17,375	(24,412)
Library	137	35	137	35
Baseball Club	2,058	2,340	2,088	2,310
Boys Tennis Club	307	732	647	392
Wrestling Club	1,717	8,164	9,624	257
Volleyball Club	4,722	14,040	13,606	5,156
Girls Tennis Club	(181)	1,996	1,720	95
Girls Golf Club	482	-	50	432
Student Activities	2,043	5,532	6,089	1,486
Landscaping Fund	779	-	155	624
Building Fund - Bricks	309	1,600	-	1,909
Building Fund - Aud Seat	(46,114)	250	3,464	(49,328)
Activity Support Fee	120	20,160	19,560	720
High School Athletics	60,417	153,552	134,376	79,593
Middle School:				
Plays and Productions	606	876	302	1,180
Vocal Music	2,929	1,631	677	3,883
Band	3,062	5,033	4,915	3,180

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Middle School (continued):				
Video Club	\$ 548	\$ -	\$ -	548
Chess Club	762	-	-	762
Campout	870	1,611	1,668	813
After School Programs	367	300	239	428
Camp Grinnell	1,458	2,800	2,729	1,529
Science Club	906	-	-	906
Cross Country	140	-	-	140
Prairie Project	26	-	-	26
Student Council	12,265	29,137	30,248	11,154
S.A.D.D.	200	-	-	200
D.A.R.E.	2,601	-	-	2,601
Just Say No	200	-	55	145
Emergency Fund	131	69	200	-
Student Publication	303	-	-	303
Library	49	9,240	7,325	1,964
Student Activities	1,094	56	470	680
Principal's Account	571	3,436	2,860	1,147
PTO	1,247	195	591	851
Activity Support Fee	-	9,670	5,166	4,504
Middle School Athletics	(138)	34,009	32,302	1,569
Bailey Park Elementary:				
Elementary IBI	65	-	-	65
Youth Garden	769	-	-	769
Library	2,249	4,757	4,415	2,591
Student Activities	330	409	409	330
Principal's Account	(100)	987	255	632
Gifts and Donations	6,328	-	810	5,518
Activity Support Fee	2	-	-	2
Davis Elementary:				
Davis School Store	(1,548)	-	-	(1,548)
Library	1,797	7,820	6,872	2,745
Student Activities	10,109	3,041	2,930	10,220
Gifts and Donations	(353)	-	-	(353)
Fairview Elementary:				
Library	556	8,182	8,421	317
Student Activities	1,755	833	876	1,712
Principal's Account	-	1,081	-	1,081
Gifts and Donations	1,328	-	-	1,328
Total	\$ 156,694	\$ 525,222	\$ 477,944	\$ 203,972

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 FIVE YEARS

	Modified Accrual Basis Years Ended June 30,				
	2009	2008	2007	2006	2005
Revenues:					
Local sources:					
Local tax	\$ 8,511,361	\$ 8,402,622	\$ 7,701,812	\$ 7,318,522	\$ 7,390,222
Tuition	512,273	507,751	457,114	464,648	325,740
Other	1,216,618	508,898	2,294,202	3,122,680	961,617
State sources	8,462,266	8,410,860	7,968,921	7,332,526	7,284,851
Federal sources	615,223	429,269	429,102	602,424	847,351
Total revenues	\$ 19,317,741	\$ 18,259,400	\$ 18,851,151	\$ 18,840,800	\$ 16,809,781
Expenditures:					
Instruction	\$ 10,382,605	\$ 10,182,778	\$ 10,186,119	\$ 9,201,079	\$ 8,831,816
Support services:					
Student services	394,964	365,780	361,383	382,760	393,872
Instructional staff services	400,339	523,850	438,521	421,309	332,472
Administration services	2,117,635	2,185,781	1,933,147	1,829,346	1,498,438
Operation and maintenance of plant services	1,509,357	1,711,156	1,878,062	1,446,013	1,268,503
Transportation services	556,651	682,836	711,329	525,710	489,462
Non-instructional programs	-	22,930	-	-	-
Other expenditures:					
Facilities acquisition	308,549	286,234	3,477,011	5,621,478	3,885,846
Long-term debt:					
Principal	2,045,000	2,530,000	1,080,000	895,000	795,000
Interest and fiscal charges	393,786	483,154	507,096	532,077	455,785
AEA flowthrough	612,811	588,211	557,625	515,676	513,154
Total expenditures	\$ 18,721,697	\$ 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, 2009

Grantor / Program	CFDA Number	Grant Number	Expenditures
Direct:			
U. S. Department of Education: Fund for the Improvement of Education	84.215	FY 09	\$ <u>118,667</u>
Indirect:			
U. S. Department of Agriculture: Iowa Department of Agriculture: Team Nutrition Grant	10.574	FY 09	<u>621</u>
Iowa Department of Education: School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 09	46,808
National School Lunch Program (non-cash)	10.555	FY 09	28,070
National School Lunch Program	10.555	FY 09	215,303
Summer Food Service Program for Children	10.559	FY 09	<u>7,968</u>
			<u>298,149</u>
U. S. Department of Education: Iowa Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	2709-G-09	<u>147,825</u>
Special Education - Grants to States	84.027	FY 09	<u>1,100</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 09	<u>4,611</u>
Improving Teacher Quality State Grants	84.367	FY 09	<u>62,114</u>
Grants for State Assessments and Related Activities	84.369	FY 09	<u>11,154</u>
State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 09	<u>140,113</u>
Area Education Agency #267:			
Special Education - Grants to States	84.027	FY 09	<u>88,837</u>
English Language Acquisition Grants	84.365	FY 09	<u>1,815</u>
Career and Technical Education - Basic Grants to States	84.048	FY 09	<u>16,406</u>
Total			\$ <u><u>891,412</u></u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 4, 2009. 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, 2009 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 4, 2009

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON 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, 2009. 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, 2009.

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.

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.

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 4, 2009

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

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

- (a) Unqualified opinions were issued on the financial statements.
- (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) No material weaknesses 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 no 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
 - CFDA Number 10.559 – Summer Food Service Program for Children
- (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, 2009

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

II-A-09 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-09 Fundraisers – We noted that the District requires no reconciliations for fundraising activities in relation to the Special Revenue, Student Activity Fund. We also noted that a fundraiser carried out by a parent-teacher organization was handled through the Enterprise, School Nutrition Fund.

Recommendation – The District should 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. All clubs and organizations which are independent of the District should account for all transactions associated with those organizations through their own records. The District should avoid handling any non-District transactions through District records, and supplies for any independent organization's fundraiser should be paid for by that organization.

Response – We plan on implementing a fundraiser review form for the 2009/2010 fiscal year. We will also tell all independent organizations that they will have to handle their own transactions in the future.

Conclusion – Response accepted.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Significant Deficiency:

No matters were reported.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-09 Certified Budget – Expenditures for the year ended June 30, 2009, did not exceed the amounts budgeted.
- IV-B-09 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-09 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-09 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	\$ 200

In accordance with the 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-09 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-09 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-09 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-09 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-09 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-09 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

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

IV-K-09 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$ 670,916
Statewide sales and services tax revenue	1,213,291
Expenditures/transfers out:	
Debt service for school infrastructure:	
Revenue debt	<u>1,228,194</u>
Ending balance	<u>\$ 656,013</u>

IV-L-09 Deficit Balances – Several student activity accounts within the Special Revenue, Student Activity Fund had deficit balances at June 30, 2009. In addition, the Major Enterprise, School Nutrition Fund had an unrestricted net assets deficit of \$474, the Nonmajor Enterprise, After School Program Fund had a deficit unrestricted net assets balance of \$3,429 and the Business-type Activities of the District had an unrestricted net assets deficit of \$3,903.

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 School Nutrition and After School Program Funds to sound conditions.

Response – The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year. We have analyzed the After School Program Fund problems and almost eliminated the deficit balance for 2009. We will also look at the School Nutrition Fund for the future.

Conclusion – Response accepted.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

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

IV-M-09 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-N-09 Sinking Fund – The District’s revenue bond agreements require that the District transfer monies on a monthly basis to a sinking fund for the purpose of paying the semi-annual debt service requirements. We noted in our testing of these transfers that the amounts required were not always timely transferred and that the total sinking fund transfers were \$123,762 short at year end. These irregularities did not affect the required revenue bond payments.

Recommendation – The District should make all sinking fund transfers on a timely basis and in the correct amounts to comply with the bond agreement requirements.

Response – We have made the required adjustment to correct the shortage at year end. All future transfers will be timely made and will meet the required amounts.

Conclusion – Response accepted.