

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, 2010

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GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2009 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>Board of Education</u>		
(After September 2009 Election)		
Lynn Cavanagh	President	2011
Doug Cameron	Vice President	2013
Jeanette Budding	Board Member	2011
Carol Wilhelm	Board Member	2011
Barbara Brown	Board Member	2013
Jeff Smith	Board Member	2013
Leo Lease	Board Member	2013
<u>School Officials</u>		
Edith Eckles	Superintendent	2011
J.T. Anderson	District Secretary/Treasurer Business Manager	2010
Donald L. Schild	Attorney	2010
Ahlers Law Firm	Attorney	2010

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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards 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, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 3, 2011 on our consideration of Grinnell-Newburg Community School District's internal control over financial reporting and 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 56 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 five years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements for the four years ended June 30, 2009. 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 is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This 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 as a whole.

Oskaloosa, Iowa
January 3, 2011

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, 2010. Please read it in conjunction with the district's financial statements.

Financial Highlights

- General Fund revenues increased from \$15,302,802 in FY09 to \$15,480,294 in FY10, while General Fund expenditures increased from \$14,825,043 in FY09 to \$14,921,090 in FY10. Revenues exceeded expenditures by \$559,204 in FY10. In FY09, revenues exceeded expenditures by \$477,759.

The General Fund balance at June 30, 2010 was \$2,417,620 or 16% 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.

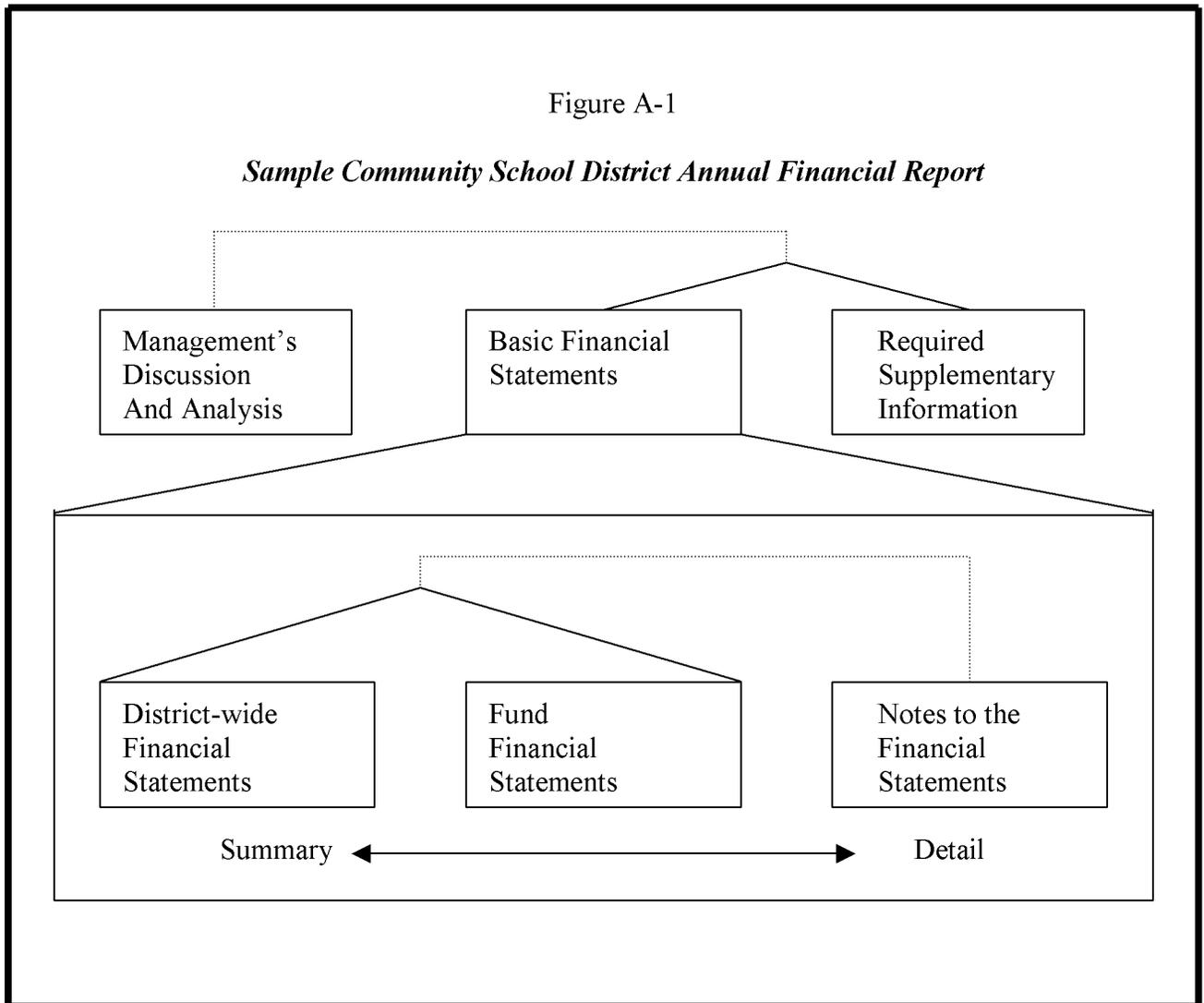


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents 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 2009 and 2010 follows:

Figure A-3
Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District	
	2010	2009	2010	2009	2010	2009
Assets:						
Current and other Assets	\$14,476,647	\$15,043,937	\$ 92,012	\$ 72,620	\$14,568,659	\$15,116,557
Capital assets	<u>21,156,046</u>	<u>21,375,319</u>	<u>110,956</u>	<u>121,675</u>	<u>21,267,002</u>	<u>21,496,994</u>
Total assets	35,632,693	36,419,256	202,968	194,295	35,835,661	36,613,551
Long-term obligations	6,193,561	8,640,526	3,746	3,746	6,197,307	8,644,272
Other obligations	<u>8,812,015</u>	<u>9,827,176</u>	<u>76,821</u>	<u>72,777</u>	<u>8,888,836</u>	<u>9,899,953</u>
Total liabilities	15,005,576	18,467,702	80,567	76,523	15,086,143	18,544,225
Net assets						
Invested in capital assets net of related debt	15,276,046	13,180,319	110,956	121,675	15,387,002	13,301,994
Restricted	2,659,422	2,651,464			2,659,422	2,651,464
Unrestricted	<u>2,691,649</u>	<u>2,119,771</u>	<u>11,445</u>	<u>(3,903)</u>	<u>2,703,094</u>	<u>2,115,868</u>
Total net assets	<u>\$20,627,117</u>	<u>\$17,951,554</u>	<u>\$122,401</u>	<u>\$117,772</u>	<u>\$20,749,518</u>	<u>\$18,069,326</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, 2010.

Figure A-4

Changes in Net Assets

	Governmental Activities		Business-type Activities		Total School District	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for service & sales	\$ 1,243,465	\$ 1,178,037	\$ 531,809	\$ 656,816	\$ 1,775,274	\$ 1,834,853
Operating grants, contributions, and restricted interest	2,533,967	2,417,286	385,467	306,795	2,919,434	2,724,081
Capital grants, contributions and restricted interest	532,216	350,000	-	-	532,216	350,000
General revenues:						
Property tax	5,779,228	5,426,792	-	-	5,779,228	5,426,792
Debt Service	829,757	831,156	-	-	829,757	831,156
PPEL	320,681	308,511	-	-	320,681	308,511
Local Option Sales and Services tax	1,215,359	1,213,291	-	-	1,215,359	1,213,291
Income Surtax	800,545	735,401	-	-	800,545	735,401
Unrestricted state grants	6,425,031	6,724,468	-	-	6,425,031	6,724,468
Unrestricted interest earnings	41,422	66,546	244	705	41,666	67,251
Other	<u>106,920</u>	<u>66,253</u>	<u>-</u>	<u>-</u>	<u>106,920</u>	<u>66,253</u>
Total revenues	\$19,828,591	\$19,317,741	\$ 917,520	\$ 964,316	\$20,746,111	\$20,282,057
Program expenses:						
Governmental activities:						
Instruction	\$10,433,203	\$10,503,356	-	-	\$10,433,203	\$10,503,356
Support Services	4,876,722	5,117,743	13,779	16,773	4,890,501	5,134,516
Non-instructional programs	-	-	899,112	935,333	899,112	935,333
Other expenses	<u>1,843,103</u>	<u>1,721,166</u>	<u>-</u>	<u>-</u>	<u>1,843,103</u>	<u>1,721,166</u>
	\$17,153,028	\$17,342,265	\$912,891	\$952,106	\$18,065,919	\$18,294,371
Change in net assets	\$2,675,563	\$1,975,476	\$4,629	\$12,210	\$ 2,680,192	\$ 1,987,686

The major sources of 2010 revenues for the District were property tax and unrestricted state grants, accounting for 64% of the 2010 revenues. Other revenue sources were charges for sales and services, 9%; operating grants, contributions, and restricted interest, 14%; sales and services tax, 6%; income surtax, 4%; and other sources, 1%.

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

Governmental Activities

Governmental activities revenues for 2010 were \$19,828,591 and expenses were \$17,153,028 resulting in a net asset increase of \$2,675,563.

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	
	2010	2009	2010	2009
Instruction	\$10,433,203	\$10,503,356	\$7,662,752	\$7,775,023
Support Services	4,876,722	5,117,743	4,601,314	4,863,564
Non-instructional programs				
Other expenses	<u>1,843,103</u>	<u>1,721,166</u>	<u>579,314</u>	<u>758,355</u>
Totals	\$17,153,028	\$17,342,265	\$12,843,380	\$13,396,942

- The cost financed by users of the District’s programs was \$1,243,465 in 2010, compared to \$1,178,037 in 2009.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,533,967 in 2010, compared to \$2,417,286 in 2009. Capital grants and contributions provided an additional \$532,216 of funding in 2010.
- The net cost of governmental activities was financed with \$8,945,570 of property and other taxes, \$6,425,031 in unrestricted state funds, \$41,422 in unrestricted investment earnings, and \$106,920 in other revenues.

Business-Type Activities

Revenues of the District’s business-type activities were \$917,520 and expenses were \$912,891. The District’s business-type activities include the School Nutrition Fund. The district’s After School Program ceased operation at the beginning of fiscal year 2010. 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 2010, its governmental funds reported combined fund balances of \$4,880,058.

Governmental Fund Highlights

The General Fund balance increased by \$524,283, as noted in the financial highlights at the beginning of the MD&A. This follows an increase of fund balance of \$477,759 from the previous year. Nonmajor Governmental Funds and other fund balances remained relatively unchanged.

Proprietary Fund Highlights

The School Nutrition fund net assets increased from \$121,201 in 2009 to \$125,830 in 2010. The District's After School Enterprise Fund (childcare) net assets remained unchanged with (\$3,429) in 2009 and 2010 as the district no longer administers an 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 \$688,667 less than the total projected certified budget revenues.

Total expenditures were \$3,868,395 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, 2010 the District had invested \$21,156,046 net of accumulated depreciation of \$8,325,998, in a broad range of governmental capital assets, including land, buildings and building improvements, ground improvements, vehicles, and furniture. Business-type activities had invested \$110,956, net of accumulated depreciation of \$133,995, in capital assets. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$779,820 for governmental activities, and \$15,410 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, and intangible assets which have a capitalization level of \$100,000. 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 (incl. Construct in Progress)	20,491,991	-	20,491,991
Improvements, other than buildings	292,682	-	292,682
Furniture and equipment	<u>318,873</u>	<u>110,956</u>	<u>429,829</u>
Total	<u>\$21,156,046</u>	<u>\$110,956</u>	<u>\$21,267,002</u>

Long-Term Liabilities

At June 30, 2010 the District had long-term liabilities totaling \$6,193,561 of which \$113,557 was for early retirement benefits and \$5,880,000 was for general-obligation 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 a major existing circumstance that could significantly affect its financial health in the future.

- District enrollment for 2010-2011 was 1,709, a decrease of 19 from the prior year. Enrollment is projected to steadily decline by 1% annually over the coming five to ten year period.

Contacting the District's Financial Management

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

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Basic Financial Statements

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 5,715,900	\$ 83,935	\$ 5,799,835
Receivables:			
Property tax:			
Current year	100,439	-	100,439
Succeeding year	7,351,112	-	7,351,112
Income surtax	734,517	-	734,517
Accrued interest	95	-	95
Interfund receivable (payable) (note 3)	3,011	(3,011)	-
Accounts	68,064	222	68,286
Due from other governments	484,025	7,348	491,373
Inventories	-	3,518	3,518
Prepaid expenses	19,484	-	19,484
Capital assets, net of accumulated depreciation (note 6)	21,156,046	110,956	21,267,002
Total assets	35,632,693	202,968	35,835,661
Liabilities			
Accounts payable	574,345	3,366	577,711
Salaries and benefits payable	812,413	63,331	875,744
Accrued interest payable	37,535	-	37,535
Deferred revenue:			
Succeeding year property tax	7,351,112	-	7,351,112
Other	36,610	10,124	46,734
Long-term liabilities (notes 7 and 8):			
Portion due within one year:			
Early retirement	113,557	-	113,557
Bonds payable	645,000	-	645,000
Compensated absences	7,485	-	7,485
Portion due after one year:			
Bonds payable	5,235,000	-	5,235,000
Net OPEB liability	192,519	3,746	196,265
Total liabilities	15,005,576	80,567	15,086,143

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2010

	<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	\$ 15,276,046	\$ 110,956	\$ 15,387,002
Restricted for:			
Categorical funding (note 12)	164,447	-	164,447
Management levy	206,837	-	206,837
Physical plant and equipment levy	1,034,032	-	1,034,032
Other special revenue purposes	320,055	-	320,055
Debt service	18,415	-	18,415
Capital projects	915,636	-	915,636
Unrestricted	<u>2,691,649</u>	<u>11,445</u>	<u>2,703,094</u>
Total net assets	<u>\$ 20,627,117</u>	<u>\$ 122,401</u>	<u>\$ 20,749,518</u>

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 10,433,203	\$ 1,126,196	\$ 1,644,255	\$ -
Support services:				
Student services	435,580	66,948	52,794	-
Instructional staff services	365,374	-	102,345	-
Administration services	1,909,057	-	3,000	-
Operation and maintenance of plant services	1,517,196	12,790	-	-
Transportation services	649,515	37,531	-	-
	<u>4,876,722</u>	<u>117,269</u>	<u>158,139</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	114,432	-	-	532,216
Long-term debt interest and fiscal charges	338,532	-	-	-
AEA flowthrough	731,573	-	731,573	-
Depreciation (unallocated) *	658,566	-	-	-
	<u>1,843,103</u>	<u>-</u>	<u>731,573</u>	<u>532,216</u>
Total governmental activities	<u>17,153,028</u>	<u>1,243,465</u>	<u>2,533,967</u>	<u>532,216</u>

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (7,662,752)	\$ -	\$ (7,662,752)
(315,838)	-	(315,838)
(263,029)	-	(263,029)
(1,906,057)	-	(1,906,057)
(1,504,406)	-	(1,504,406)
(611,984)	-	(611,984)
(4,601,314)	-	(4,601,314)
417,784	-	417,784
(338,532)	-	(338,532)
-	-	-
(658,566)	-	(658,566)
(579,314)	-	(579,314)
(12,843,380)	-	(12,843,380)

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions
Business-Type Activities:				
Support services:				
Food service operations	\$ 13,779	\$ -	\$ -	\$ -
Non-instructional programs:				
Food service operations	899,112	531,809	385,467	-
Total business-type activities	912,891	531,809	385,467	-
Total	\$ 18,065,919	\$ 1,775,274	\$ 2,919,434	\$ 532,216

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

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ _____ -	\$ _____ (13,779)	\$ _____ (13,779)
-	18,164	18,164
-	4,385	4,385
(12,843,380)	4,385	(12,838,995)
\$ 5,779,228	\$ -	\$ 5,779,228
829,757	-	829,757
320,681	-	320,681
800,545	-	800,545
1,215,359	-	1,215,359
6,425,031	-	6,425,031
41,422	244	41,666
106,920	-	106,920
15,518,943	244	15,519,187
2,675,563	4,629	2,680,192
17,951,554	117,772	18,069,326
\$ 20,627,117	\$ 122,401	\$ 20,749,518

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	<u>General</u>	<u>Special Revenue Physical Plant and Equipment Levy</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 3,257,444	\$ 1,046,371	\$ 44,802	\$ 1,279,731	\$ 5,628,348
Receivables:					
Property tax:					
Current year	76,616	4,359	11,148	8,316	100,439
Succeeding year	5,814,147	340,646	806,318	390,001	7,351,112
Income surtax	550,888	183,629	-	-	734,517
Accrued interest	95	-	-	-	95
Interfund receivable (note 3)	3,011	-	-	40,696	43,707
Accounts	17,207	42,568	-	8,249	68,024
Due from other governments	249,881	-	-	234,144	484,025
Prepaid expenses	19,484	-	-	-	19,484
 Total assets	 <u>\$ 9,988,773</u>	 <u>\$ 1,617,573</u>	 <u>\$ 862,268</u>	 <u>\$ 1,961,137</u>	 <u>\$ 14,429,751</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General	Special Revenue Physical Plant and Equipment Levy	Debt Service	Nonmajor	Total
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 316,399	\$ 242,895	\$ -	\$ 15,051	\$ 574,345
Salaries and benefits payable	812,413	-	-	-	812,413
Interfund payable (note 3)	40,696	-	-	-	40,696
Deferred revenue:					
Succeeding year property tax	5,814,147	340,646	806,318	390,001	7,351,112
Other	587,498	183,629	-	-	771,127
Total liabilities	7,571,153	767,170	806,318	405,052	9,549,693
Fund balances:					
Reserved for:					
Categorical funding (note 12)	164,447	-	-	-	164,447
Prepaid expenses	19,484	-	-	-	19,484
Debt service	-	-	55,950	-	55,950
Unreserved, reported in:					
General fund	2,233,689	-	-	-	2,233,689
Special revenue funds	-	850,403	-	640,449	1,490,852
Capital projects fund	-	-	-	915,636	915,636
Total fund balances	2,417,620	850,403	55,950	1,556,085	4,880,058
Total liabilities and fund balances	\$ 9,988,773	\$ 1,617,573	\$ 862,268	\$ 1,961,137	\$ 14,429,751

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, 2010

Total fund balances of governmental funds	\$ 4,880,058
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
The Internal Service Fund accounts for the partial self-funding health insurance operations of the District and, due to the integral nature of the activities to the governmental funds, is incorporated into the Statement of Net Assets.	87,592
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	21,156,046
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	734,517
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.	(37,535)
Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(6,193,561)</u>
Net assets of governmental activities	<u>\$ 20,627,117</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, 2010

	General	Special Revenue Physical Plant and Equipment Levy	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 5,743,417	\$ 509,766	\$ 829,369	\$ 1,815,702	\$ 8,898,254
Tuition	433,339	-	-	-	433,339
Other	240,836	8,622	218	994,201	1,243,877
State sources	7,490,183	150	389	330	7,491,052
Federal sources	1,572,519	-	-	-	1,572,519
Total revenues	15,480,294	518,538	829,976	2,810,233	19,639,041
Expenditures:					
Current:					
Instruction	9,767,300	-	-	838,916	10,606,216
Support services:					
Student services	435,580	-	-	-	435,580
Instructional staff services	364,914	-	-	-	364,914
Administration services	1,698,634	-	-	237,532	1,936,166
Operation and maintenance of plant services	1,368,602	36,529	-	87,195	1,492,326
Transportation services	554,487	46,020	-	18,540	619,047
	4,422,217	82,549	-	343,267	4,848,033
Other expenditures:					
Facilities acquisition	-	628,958	-	-	628,958
Long term debt:					
Principal	-	-	8,195,000	-	8,195,000
Interest and fiscal charges	-	-	377,149	-	377,149
AEA flowthrough	731,573	-	-	-	731,573
	731,573	628,958	8,572,149	-	9,932,680
Total expenditures	14,921,090	711,507	8,572,149	1,182,183	25,386,929
Excess (deficiency) of revenues over (under) expenditures	559,204	(192,969)	(7,742,173)	1,628,050	(5,747,888)

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	General	Special Revenue <u>Physical Plant and Equipment Levy</u>	Debt Service	Nonmajor	Total
Other financing sources (uses):					
Sale of equipment	\$ 1,950	\$ -	\$ -	\$ -	\$ 1,950
Compensation for loss of capital assets	3,825	140,169	-	-	143,994
Interfund transfers in (note 4)	-	-	1,615,554	40,696	1,656,250
Interfund transfers out (note 4)	(40,696)	-	-	(1,615,554)	(1,656,250)
General obligation bonds issued	-	-	5,880,000	-	5,880,000
Total other financing sources (uses)	<u>(34,921)</u>	<u>140,169</u>	<u>7,495,554</u>	<u>(1,574,858)</u>	<u>6,025,944</u>
Net change in fund balances	524,283	(52,800)	(246,619)	53,192	278,056
Fund balances beginning of year	<u>1,893,337</u>	<u>903,203</u>	<u>302,569</u>	<u>1,502,893</u>	<u>4,602,002</u>
Fund balances end of year	<u>\$ 2,417,620</u>	<u>\$ 850,403</u>	<u>\$ 55,950</u>	<u>\$ 1,556,085</u>	<u>\$ 4,880,058</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, 2010

Net change in fund balances - total governmental funds \$ 278,056

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	\$ 560,547	
Depreciation expense	<u>(779,820)</u>	(219,273)

The Statement of Activities is adjusted for the increase in net assets of the
Internal Service Fund, which represents an overcharge to the governmental
funds. 87,592

Income surtax revenue not received until several months after the District's
fiscal year end is not considered available revenue in the governmental
funds and is deferred. It is, however, recorded as revenue in the
Statement of Activities. 43,606

Proceeds from issuing long-term liabilities provide current financial resources
to governmental funds but issuing debt increases long-term liabilities in the
Statement of Net Assets and does not affect the Statement of Activities. (5,880,000)

Repayment of long-term liabilities is an expenditure in the governmental
funds, but it reduces long-term liabilities in the Statement of Net Assets. 8,195,000

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. 38,617

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, 2010

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	\$	233,057	
	Compensated absences		(4,827)	
	Net OPEB liability		<u>(96,265)</u>	\$ <u>131,965</u>
Change in net assets of governmental activities				\$ <u><u>2,675,563</u></u>

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010

	Enterprise		Total	Internal Service
	School Nutrition	Nonmajor Enterprise		
Assets				
Cash and cash equivalents	\$ 83,935	\$ -	\$ 83,935	\$ 87,552
Accounts receivable	222	-	222	40
Due from other governments	7,348	-	7,348	-
Inventories	3,518	-	3,518	-
Capital assets, net of accumulated depreciation (note 6)	110,956	-	110,956	-
Total assets	<u>205,979</u>	<u>-</u>	<u>205,979</u>	<u>87,592</u>
Liabilities				
Accounts payable	3,366	-	3,366	-
Salaries and benefits payable	63,331	-	63,331	-
Interfund payable (note 3)	-	3,011	3,011	-
Deferred revenue	10,124	-	10,124	-
Net OPEB liability (notes 7 & 8)	3,328	418	3,746	-
Total liabilities	<u>80,149</u>	<u>3,429</u>	<u>83,578</u>	<u>-</u>
Net Assets				
Invested in capital assets	110,956	-	110,956	-
Unrestricted	14,874	(3,429)	11,445	87,592
Total net assets	<u>\$ 125,830</u>	<u>\$ (3,429)</u>	<u>\$ 122,401</u>	<u>\$ 87,592</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, 2010

	Enterprise		Total	Internal Service
	School Nutrition	Nonmajor Enterprise		
Operating revenues:				
Local sources:				
Charges for services	\$ 531,809	-	\$ 531,809	\$ 221,501
Operating expenses:				
Support services:	498	-	498	-
Purchased services	6,065	-	6,065	-
Supplies	7,216	-	7,216	-
Other	13,779	-	13,779	-
Non-instructional programs:				
Salaries	363,931	-	363,931	-
Benefits	110,408	-	110,408	-
Purchased services	40	-	40	134,055
Supplies	409,323	-	409,323	-
Depreciation	15,410	-	15,410	-
	899,112	-	899,112	134,055
Total expenses	912,891	-	912,891	134,055
Operating income (loss)	(381,082)	-	(381,082)	87,446
Non-operating revenues:				
Interest on investments	244	-	244	146
State sources	7,880	-	7,880	-
Federal sources	377,587	-	377,587	-
Total non-operating revenues	385,711	-	385,711	146
Change in net assets	4,629	-	4,629	87,592
Net assets beginning of year	121,201	(3,429)	117,772	-
Net assets end of year	\$ 125,830	\$ (3,429)	\$ 122,401	\$ 87,592

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2010

	Enterprise		Total	Internal Service
	School Nutrition	Nonmajor Enterprise		
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 526,946	\$ -	\$ 526,946	\$ -
Cash received from miscellaneous operating activities	6,081	1,005	7,086	221,461
Cash payments to employees for services	(468,282)	-	(468,282)	-
Cash payments to suppliers for goods or services	(371,299)	(550)	(371,849)	(134,055)
Net cash provided by (used by) operating activities	(306,554)	455	(306,099)	87,406
Cash flows from non-capital financing activities:				
State grants received	7,880	-	7,880	-
Federal grants received	321,904	-	321,904	-
(Decrease) in due to other funds	-	(455)	(455)	-
Net cash provided by (used by) non-capital financing activities	329,784	(455)	329,329	-
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(4,691)	-	(4,691)	-
Cash flows from investing activities:				
Interest on investments	244	-	244	146
Net increase in cash and cash equivalents	18,783	-	18,783	87,552
Cash and cash equivalents beginning of year	65,152	-	65,152	-
Cash and cash equivalents end of year	\$ 83,935	\$ -	\$ 83,935	\$ 87,552

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2010

	School Nutrition	Nonmajor Enterprise	Total	Internal Service
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:				
Operating income (loss)	\$ (381,082)	\$ -	\$ (381,082)	\$ 87,446
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Depreciation	15,410	-	15,410	-
Commodities used	56,743	-	56,743	-
(Increase) decrease in accounts receivable	51	1,005	1,056	(40)
(Increase) in inventories	(2,270)	-	(2,270)	-
(Decrease) in accounts payable	(2,631)	(550)	(3,181)	-
Increase in salaries and benefits payable	6,057	-	6,057	-
Increase in deferred revenue	1,168	-	1,168	-
Net cash provided by (used by) operating activities	<u>\$ (306,554)</u>	<u>\$ 455</u>	<u>\$ (306,099)</u>	<u>\$ 87,406</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$56,743 of federal commodities.

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2010

	<u>Trust</u>
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>25,476</u>
Liabilities:	
None	<u>-</u>
Net assets:	
Reserved for scholarships	\$ <u><u>25,476</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, 2010

		<u>Trust</u>
		<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$	6,243
Interest		<u>98</u>
Total additions		<u>6,341</u>
Deductions:		
Instruction:		
Scholarships awarded		<u>8,506</u>
Change in net assets		(2,165)
Net assets beginning of year		<u>27,641</u>
Net assets end of year	\$	<u><u>25,476</u></u>

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

For financial reporting purposes, Grinnell-Newburg Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Grinnell-Newburg Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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

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

The District reports the following major proprietary fund:

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

In addition, the District also reports the nonmajor Enterprise Fund, After School Program to account for after school activities and the nonmajor Internal Service Fund, Partial Self-Funded Health Insurance to account for partial self-funding of District health insurance for employees.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

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.

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.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

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.

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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

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, 2010, 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.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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.

Prepaid Expenses – Prepaid expenses represent amounts withheld from employees in the current fiscal year but are for the benefit of succeeding years.

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
Intangibles	100,000
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	4-15 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.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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 grants, and unearned meal revenues.

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, 2010. 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, 2010 consists of \$2,659,422.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2010 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.

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>2,525,859</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

Note 3. Interfund Receivables/Payables

The detail of the interfund receivables/payables at June 30, 2010 is as follows:

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
General Fund	Enterprise Fund, After School Program	\$ 3,011
Special Revenue Fund, Student Activity	General	<u>40,696</u>
Total		\$ <u>43,707</u>

The amounts due between the General Fund and the After School Program Fund are due to pooled cash balances. The amounts due between the General Fund and the Activity Fund are the result of the closure of non-cocurricular accounts in the Activity Fund.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 1,615,554
Special Revenue: Student Activity	General	<u>40,696</u>
Total		<u>\$ 1,656,250</u>

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

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. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. N.A. is the trustee for the program.

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. 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 interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. The District had no ISCAP advance activity for the year ended June 30, 2010.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 52,500	\$ -	\$ -	\$ 52,500
Construction in progress	-	440,339	-	440,339
Total capital assets not being depreciated	<u>52,500</u>	<u>440,339</u>	<u>-</u>	<u>492,839</u>
Capital assets being depreciated:				
Buildings	27,189,581	-	-	27,189,581
Improvements other than buildings	380,709	20,220	-	400,929
Furniture and equipment	1,304,707	99,988	6,000	1,398,695
Total capital assets being depreciated	<u>28,874,997</u>	<u>120,208</u>	<u>6,000</u>	<u>28,989,205</u>
Less accumulated depreciation for:				
Buildings	6,479,234	658,695	-	7,137,929
Improvements other than buildings	86,994	21,253	-	108,247
Furniture and equipment	985,950	99,872	6,000	1,079,822
Total accumulated depreciation	<u>7,552,178</u>	<u>779,820</u>	<u>6,000</u>	<u>8,325,998</u>
Total capital assets being depreciated, net	<u>21,322,819</u>	<u>(659,612)</u>	<u>-</u>	<u>20,663,207</u>
Governmental activities capital assets, net	<u>\$ 21,375,319</u>	<u>\$ (219,273)</u>	<u>\$ -</u>	<u>\$ 21,156,046</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 240,260	\$ 4,691	\$ -	\$ 244,951
Less accumulated depreciation	118,585	15,410	-	133,995
Business-type activities capital assets, net	<u>\$ 121,675</u>	<u>\$ (10,719)</u>	<u>\$ -</u>	<u>\$ 110,956</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. Capital Assets (continued)

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

Governmental activities:

Instruction	\$ 17,567
Support services:	
Administration	2,993
Operation and maintenance of plant services	24,252
Transportation	<u>76,442</u>
	121,254
Unallocated depreciation	<u>658,566</u>
Total governmental activities depreciation expense	<u>\$ 779,820</u>

Business-type activities:

Food service operations	<u>\$ 15,410</u>
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GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 346,614	\$ 113,557	\$ 346,614	\$ 113,557	\$ 113,557
General obligation bonds	6,425,000	5,880,000	6,425,000	5,880,000	645,000
Revenue bonds	1,770,000	-	1,770,000	-	-
Compensated absences	2,658	7,485	2,658	7,485	7,485
Net OPEB liability	96,254	96,265	-	192,519	-
Total	\$ 8,640,526	\$ 6,097,307	\$ 8,544,272	\$ 6,193,561	\$ 766,042
Business type activities:					
Net OPEB liability	\$ 3,746	\$ -	\$ -	\$ 3,746	\$ -

Early Retirement

The District offers a voluntary early retirement plan to all 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, 2010, the District had obligations to six participants with a total liability of \$113,557. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$346,614. 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, 2010

Note 7. Long-Term Liabilities (continued)

General Obligation Bonds

During the year ended June 30, 2010, the District issued \$5,880,000 of general obligation bonds with interest rates ranging from 2.000% to 3.875% payable through the year ended June 30, 2023. The proceeds were used to advance refund the general obligation bond issues dated October 1, 2002 and November 1, 2003 and the school infrastructure local option sales and services tax revenue bond issues dated September 1, 2002 and December 1, 2003. Those bond issues had interest rates ranging from 3.00% to 4.65%, inclusively.

The advance refunding qualified as a debt defeasance and saved the District \$374,165 of debt service requirements over the next thirteen years, with an economic savings totaling \$295,851.

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2011	2.000 %	\$ 645,000	\$ 160,318	\$ 805,318
2012	2.000	660,000	134,450	794,450
2013	2.000	650,000	121,250	771,250
2014	2.000-2.125	675,000	108,250	783,250
2015	2.125	700,000	93,844	793,844
2016	2.250-2.500	700,000	78,750	778,750
2017	3.125	250,000	66,062	316,062
2018	3.125	250,000	58,250	308,250
2019	3.500	250,000	50,437	300,437
2020	3.500	250,000	41,688	291,688
2021	3.875	275,000	32,937	307,937
2022	3.875	275,000	22,281	297,281
2023	3.875	300,000	11,625	311,625
		<u>\$ 5,880,000</u>	<u>\$ 980,142</u>	<u>\$ 6,860,142</u>

Note 8. Other Postemployment Benefits (OPEB)

The District prospectively 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 partially-insured plan with Alliance Select with the District covering the difference in deductible amounts for purchased plans with those paid by employees. 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.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

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, 2010, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 214,265
Interest on net OPEB obligation	3,000
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	217,265
Contributions made	<u>121,000</u>
Increase in net OPEB obligation	96,265
Net OPEB obligation beginning of year	<u>100,000</u>
Net OPEB obligation end of year	<u><u>\$ 196,265</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, 2010.

For the year ended June 30, 2010, the District contributed \$1,108,980 to the medical plan. Plan members eligible for benefits contributed \$114,150, or 10.3% of the premium costs.

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, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 217,265	56%	\$ 196,265

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, 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 \$9,744,955, and the ratio of the UAAL to covered payroll was 20%. As of June 30, 2010, there were no trust fund assets.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

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, 2007 and applying the termination factors used in the IPERS Actuarial Valuation Report as of June 30, 2007.

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.

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 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered payroll for the year ended June 30, 2010. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$637,482, \$624,253, and \$586,182, respectively, equal to the required contributions for each year.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 10. Risk Management

Partial Self-funded Health

During the year ended June 30, 2010, the District began partially self-funding the health insurance program.

The District funds the difference between the deductible on the plan chosen by the employee and the plan actually purchased by the District. This difference ranges between \$2,500 and \$3,000 per plan.

Expenditures for the year totaled \$134,050 which is recorded in the nonmajor Internal Service Fund. The reserve for future casualty losses was \$87,592 at June 30, 2010.

Casualty/Workers' Compensation

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 \$731,573 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 12. Categorical Funding

The District's fund balance reserved for categorical funding at June 30, 2010 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Professional development	\$ 82,263
Home school assistance program	61,909
Professional development for model core curriculum	15,591
Salary improvement program	2,812
Non-public textbooks	<u>1,872</u>
Total	<u>\$ 164,447</u>

Note 13. Construction Commitments

The District has entered into contracts totaling \$856,085 for various projects. As of June 30, 2010, costs of \$406,750 had been incurred against the contracts. The balance of \$449,335 remaining at June 30, 2010 will be paid as work on the project progresses.

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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, 2010

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 10,575,470	\$ 532,053	\$ 11,107,523	\$ 11,222,114	\$ 11,222,114	\$ (114,591)
State sources	7,491,052	7,880	7,498,932	9,298,114	9,298,114	(1,799,182)
Federal sources	1,572,519	377,587	1,950,106	725,000	725,000	1,225,106
Total revenues	19,639,041	917,520	20,556,561	21,245,228	21,245,228	(688,667)
EXPENDITURES/EXPENSES:						
Instruction	10,606,216	-	10,606,216	11,650,000	11,650,000	1,043,784
Support services	4,848,033	13,779	4,861,812	7,190,000	7,190,000	2,328,188
Non-instructional programs	-	899,112	899,112	1,005,000	1,005,000	105,888
Other expenditures	9,932,680	-	9,932,680	4,323,215	10,323,215	390,535
Total expenditures/expenses	25,386,929	912,891	26,299,820	24,168,215	30,168,215	3,868,395
Excess (deficiency) of revenues over (under) expenditures/ expenses	(5,747,888)	4,629	(5,743,259)	(2,922,987)	(8,922,987)	3,179,728
Other financing sources, net	6,025,944	-	6,025,944	-	-	6,025,944
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	278,056	4,629	282,685	(2,922,987)	(8,922,987)	9,205,672
Balance beginning of year	4,602,002	117,772	4,719,774	3,569,144	3,569,144	1,150,630
Balance end of year	\$ <u>4,880,058</u>	\$ <u>122,401</u>	\$ <u>5,002,459</u>	\$ <u>646,157</u>	\$ <u>(5,353,843)</u>	\$ <u>10,356,302</u>

See accompanying independent auditor's report.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2010

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, the District adopted one budget amendment increasing budgeted expenditures by \$6,000,000.

During the year ended June 30, 2010, 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, 2010

Year Ended June 30,	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)
2009	July 1, 2008	\$ -	\$ 1,974	\$ 1,974	0.0%	\$ 10,005	19.7%
2010	July 1, 2008	-	1,974	1,974	0.0%	9,745	20.3%

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, 2010

	Management Levy	Student Activity	Capital Projects	Total
Assets				
Cash and pooled investments	\$ 312,078	\$ 286,161	\$ 681,492	\$ 1,279,731
Receivables:				
Property tax:				
Current year	8,316	-	-	8,316
Succeeding year	390,001	-	-	390,001
Interfund receivable	-	40,696	-	40,696
Accounts	-	8,249	-	8,249
Due from other governments	-	-	234,144	234,144
	\$ 710,395	\$ 335,106	\$ 915,636	\$ 1,961,137
Total assets				
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 15,051	\$ -	\$ 15,051
Deferred revenue:				
Succeeding year property tax	390,001	-	-	390,001
Total liabilities	390,001	15,051	-	405,052
Fund balances:				
Unreserved:				
Undesignated	320,394	320,055	915,636	1,556,085
	\$ 710,395	\$ 335,106	\$ 915,636	\$ 1,961,137
Total liabilities and fund balances				

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, 2010

	Management Levy	Student Activity	Capital Projects	Total
Revenues:				
Local sources:				
Local tax	\$ 600,343	\$ -	\$ 1,215,359	\$ 1,815,702
Other	56,166	655,717	282,318	994,201
State sources	330	-	-	330
Total revenues	<u>656,839</u>	<u>655,717</u>	<u>1,497,677</u>	<u>2,810,233</u>
Expenditures:				
Current:				
Instruction	258,586	580,330	-	838,916
Support services:				
Administration services	237,532	-	-	237,532
Operation and maintenance of plant services	87,195	-	-	87,195
Transportation services	18,540	-	-	18,540
Total expenditures	<u>601,853</u>	<u>580,330</u>	<u>-</u>	<u>1,182,183</u>
Excess (deficiency) of revenues over (under) expenditures	54,986	75,387	1,497,677	1,628,050
Other financing sources (uses):				
Interfund transfers in	-	40,696	-	40,696
Interfund transfers out	-	-	(1,615,554)	(1,615,554)
Total other financing sources (uses)	<u>-</u>	<u>40,696</u>	<u>(1,615,554)</u>	<u>(1,574,858)</u>
Net change in fund balances	54,986	116,083	(117,877)	53,192
Fund balances beginning of year	<u>265,408</u>	<u>203,972</u>	<u>1,033,513</u>	<u>1,502,893</u>
Fund balances end of year	<u>\$ 320,394</u>	<u>\$ 320,055</u>	<u>\$ 915,636</u>	<u>\$ 1,556,085</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, 2010

Account	Beginning of Year	Other Financing Sources	Expenditures	End of Year
District-Wide:				
Local Project	\$ (4,302)	\$ -	\$ 2,079	\$ (6,381)
Gifts and Donations	(192)	192	-	-
Student Activities	24,110	1,760	-	25,870
Pop Machine	(808)	-	-	(808)
Fine Arts	8,293	24,476	19,295	13,474
High School:				
Plays and Productions	5,005	18,361	18,700	4,666
Curtain Club	1,366	6,979	7,158	1,187
Speech	1,747	750	1,635	862
Vocal Music	2,902	2,881	1,602	4,181
Music Trip	3	-	3	-
Choir Robes	1,171	1,368	1,304	1,235
Band	6,053	3,122	6,157	3,018
Band Trip	82	63,142	33,521	29,703
Band Uniforms	530	1,244	1,031	743
SS Christmas Shares	120	-	-	120
Caps and Gowns	(738)	4,698	5,042	(1,082)
Coaches Club	135	350	-	485
Track Club	1,826	1,712	1,103	2,435
Cross Country	445	670	503	612
Weightlifting Club	3,850	12,022	12,425	3,447
Boys Basketball	4,328	9,661	7,795	6,194
Boys Soccer	(486)	690	204	-
Boys Golf	1,255	352	792	815
Boys Swimming	39	-	-	39
Girls Basketball	4,977	5,480	6,488	3,969
Girls Soccer	1,230	1,545	2,235	540
Softball	8,116	1,911	3,712	6,315
Girls Swimming	20	4,539	4,212	347
Special Ed	908	220	-	1,128
Partners	2,411	204	727	1,888
Art Club	657	4,056	2,529	2,184
Chess Club	(42)	42	-	-
Cheerleaders	5,688	7,660	9,184	4,164
Graduates	1,535	-	1,535	-
Freshman Class	800	-	800	-
Sophomore Class	2,535	-	2,535	-
Junior Class	1,092	3,525	4,617	-
Senior Class	2	961	963	-
Tiger's Den	976	9,161	7,083	3,054
Prom	-	7,226	-	7,226

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2010

Account	Beginning of Year	Other Financing Sources	Expenditures	End of Year
High School (continued):				
F.C.C.L.A.	\$ (1,001)	\$ 4,216	\$ 1,498	\$ 1,717
Football Club	3,780	5,703	4,980	4,503
Basic Training	5,444	10,309	9,301	6,452
Debate	323	796	889	230
FFA	10,822	28,738	30,909	8,651
FBLA	2,500	-	2,500	-
Tiger Paws	777	11,929	10,917	1,789
Social Studies Trip	(321)	321	-	-
A.I.A.S.A.	590	-	-	590
International Club	32	500	135	397
Model U.N.	20	750	305	465
National Honor Society	56	750	562	244
Pep Club	(1,469)	1,469	-	-
Science Club	128	-	128	-
Spanish Club	2,090	-	-	2,090
Student Council	1,049	3,540	5,225	(636)
S.A.D.D.	272	-	272	-
Diversity Alliance	(29)	29	-	-
Grinnell Safe Homes	500	-	500	-
Mock Trial	307	-	307	-
Snack Bar	7,198	3,128	3,154	7,172
Locker Pop Machine	74	-	74	-
Yearbook	(24,412)	31,038	48,484	(41,858)
Library	35	1,487	1,236	286
Baseball Club	2,310	3,009	2,296	3,023
Boys Tennis Club	392	450	443	399
Wrestling Club	257	4,332	2,772	1,817
Volleyball Club	5,156	7,123	7,336	4,943
Girls Tennis Club	95	816	666	245
Girls Golf Club	432	1,528	1,460	500
Student Activities	1,486	5,090	6,233	343
Landscaping Fund	624	-	624	-
Building Fund - Bricks	1,909	6,045	7,954	-
Building Fund - Aud Seat	(49,328)	49,328	-	-
Activity Support Fee	720	20,920	19,590	2,050
High School Athletics	79,593	154,848	134,166	100,275
Middle School:				
Plays and Productions	1,180	769	667	1,282
Vocal Music	3,883	1,487	490	4,880
Band	3,180	2,953	4,080	2,053

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2010

Account	Beginning of Year	Other Financing Sources	Expenditures	End of Year
Middle School (continued):				
Video Club	\$ 548	\$ -	\$ 548	\$ -
Chess Club	762	-	-	762
Campout	813	5,815	2,618	4,010
After School Programs	428	-	428	-
Camp Grinnell	1,529	-	1,157	372
Science Club	906	6,000	-	6,906
Cross Country	140	-	-	140
Prairie Project	26	-	26	-
Student Council	11,154	26,646	24,434	13,366
S.A.D.D.	200	-	200	-
D.A.R.E.	2,601	-	2,601	-
Just Say No	145	-	145	-
Student Publication	303	-	303	-
Library	1,964	2,945	3,016	1,893
Student Activities	680	9,460	3,038	7,102
Principal's Account	1,147	1,119	1,437	829
PTO	851	78	929	-
Activity Support Fee	4,504	16,381	11,643	9,242
Middle School Athletics	1,569	38,137	27,601	12,105
Bailey Park Elementary:				
Elementary IBI	65	-	65	-
Youth Garden	769	-	769	-
Library	2,591	4,270	3,456	3,405
Student Activities	330	1,608	910	1,028
Principal's Account	632	303	79	856
Gifts and Donations	5,518	548	-	6,066
Activity Support Fee	2	-	-	2
Davis Elementary:				
Davis School Store	(1,548)	1,548	-	-
Library	2,745	6,179	7,014	1,910
Student Activities	10,220	1,629	2,512	9,337
Gifts and Donations	(353)	353	-	-
Fairview Elementary:				
Library	317	7,578	7,224	671
Student Activities	1,712	693	379	2,026
Principal's Account	1,081	762	676	1,167
Gifts and Donations	1,328	-	-	1,328
Total	\$ 203,972	\$ 696,413	\$ 580,330	\$ 320,055

See accompanying independent auditor's report.

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GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST SIX YEARS

	Years Ended June 30,			
	2010	2009	2008	2007
Revenues:				
Local sources:				
Local tax	\$ 8,898,254	\$ 8,511,361	\$ 8,402,622	\$ 7,701,812
Tuition	433,339	512,273	507,751	457,114
Other	1,243,877	1,216,618	508,898	2,294,202
State sources	7,491,052	8,462,266	8,410,860	7,968,921
Federal sources	1,572,519	615,223	429,269	429,102
Total revenues	\$ 19,639,041	\$ 19,317,741	\$ 18,259,400	\$ 18,851,151
Expenditures:				
Instruction	\$ 10,606,216	\$ 10,382,605	\$ 10,182,778	\$ 10,186,119
Support services:				
Student services	435,580	394,964	365,780	361,383
Instructional staff services	364,914	400,339	523,850	438,521
Administration services	1,936,166	2,117,635	2,185,781	1,933,147
Operation and maintenance of plant services	1,492,326	1,509,357	1,711,156	1,878,062
Transportation services	619,047	556,651	682,836	711,329
Non-instructional programs	-	-	22,930	-
Other expenditures:				
Facilities acquisition	628,958	308,549	286,234	3,477,011
Long-term debt:				
Principal	8,195,000	2,045,000	2,530,000	1,080,000
Interest and fiscal charges	377,149	393,786	483,154	507,096
AEA flowthrough	731,573	612,811	588,211	557,625
Total expenditures	\$ 25,386,929	\$ 18,721,697	\$ 19,562,710	\$ 21,130,293

See accompanying independent auditor's report.

<u>2006</u>	<u>2005</u>
\$ 7,318,522	\$ 7,390,222
464,648	325,740
3,122,680	961,617
7,332,526	7,284,851
602,424	847,351
<u>\$ 18,840,800</u>	<u>\$ 16,809,781</u>
\$ 9,201,079	\$ 8,831,816
382,760	393,872
421,309	332,472
1,829,346	1,498,438
1,446,013	1,268,503
525,710	489,462
-	-
5,621,478	3,885,846
895,000	795,000
532,077	455,785
515,676	513,154
<u>\$ 21,370,448</u>	<u>\$ 18,464,348</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

Grantor / Program	Number	Number	Expenditures
Direct:			
U. S. Department of Education:			
Fund for the Improvement of Education	84.215	FY10	\$ <u>118,222</u>
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 10	49,912
National School Lunch Program (non-cash)	10.555	FY 10	56,743
National School Lunch Program	10.555	FY 10	256,567
Summer Food Service Program for Children	10.559	FY 10	<u>14,365</u>
			<u>377,587</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	2709-G-10	163,678
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 09	18,092
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 10	<u>23,114</u>
			<u>204,884</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 10	<u>4,553</u>
Advanced Placement Program	84.330	FY 10	<u>56</u>
Improving Teacher Quality State Grants	84.367	FY 10	<u>63,572</u>
Grants for State Assessments and Related Activities	84.369	FY 10	<u>11,167</u>
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 10	<u>770,830</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

Grantor / Program	Number	Number	Expenditures
Indirect (continued):			
U. S. Department of Education (continued):			
Area Education Agency #267:			
Special Education Cluster Programs:			
Special Education - Grants to States	84.027	FY 10	\$ 90,105
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 09	49,276
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 10	<u>197,106</u>
			<u>336,487</u>
English Language Acquisition Grants	84.365	FY 10	<u>125</u>
Career and Technical Education - Basic Grants to States	84.048	FY 10	<u>15,163</u>
Total			<u>\$ 1,902,646</u>

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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 3, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. No material weaknesses in internal control over financial reporting were noted.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be a significant deficiency.

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, 2010 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
January 3, 2011

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, 2010. 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 U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2010.

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 was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. No material weaknesses in internal control over compliance were noted.

Grinnell-Newburg Community School District's responses to the 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.

Oskaloosa, Iowa
January 3, 2011

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was 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 were 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 84.394 – ARRA – State Fiscal Stabilization Fund – Education State Grants, Recovery Act
 - Clustered programs:
 - CFDA Number 84.027 – Special Education – Grants to States
 - CFDA Number 84.391 – ARRA – Special Education – Grants to States
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Grinnell-Newburg Community School District qualified as a low-risk auditee.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

II-A-10 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.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiency:

No matters were reported.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-10 Certified Budget – Expenditures for the year ended June 30, 2010, did not exceed the amounts budgeted.
- IV-B-10 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-10 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-10 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-10 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-10 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-10 Certified Enrollment – The number of basic resident students reported to the Iowa Department of Education for October 1, 2009 was overstated by two students. The District’s certified enrollment count was overstated due to the inclusion of two students who were enrolled but transferred out of the District prior to the beginning of the classes.

Recommendation – The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response – We will contact the Iowa Department of Education and the Department of Management.

Conclusion – Response accepted.

- IV-H-10 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-10 Deposits and Investments – We noted that at June 30, 2010, the District had deposits totaling \$10,398 in one account at a depository not approved by the District’s depository resolution as required by chapter 12C.2 of the Code of Iowa.

Recommendation – The District should update the depository resolution to include all depositories being utilized by the District. This resolution serves to help prevent the loss of any public funds held by the District’s depositories.

Response – This was an account established by the administrator of our insurance fund for the administrator’s convenience. We have now closed this account and transferred the funds to one of our approved depositories.

Conclusion – Response accepted.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

- IV-J-10 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-K-10 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-10 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, 2010, the District's financial activity and other required information for the statewide sales and services tax revenue are as follows:

Beginning balance	\$ 656,013
Statewide sales and services tax revenue	1,215,359
Expenditures/transfers out:	
Debt service for school infrastructure:	
Revenue debt	<u>1,415,554</u>
Ending balance	<u>\$ 455,818</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 2.24664	\$ 936,171
Physical plant and equipment levy	0.67000	279,188

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

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

IV-M-10 Deficit Balances – Several student activity accounts within the Special Revenue, Student Activity Fund had deficit balances at June 30, 2010. In addition, the Nonmajor Enterprise, After School Program Fund had a deficit unrestricted net assets balance of \$3,429.

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

Response – The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year. We are analyzing the After School Program Fund problems and almost eliminated the deficit balance for 2010.

Conclusion – Response accepted.

IV-N-10 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, principals' accounts, donations, and special education instruction.

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 corrected and transferred several accounts to the appropriate fund in fiscal year 2010. We will review the remaining accounts still in question and determine if they should be closed to a more appropriate fund.

Conclusion – Response accepted.

IV-O-10 Unsupported Expense Allowances – We noted in our testing of disbursements that a flat rate is paid to some employees for expense reimbursements for meals, mileage, and cell phones. However, no support documentation is required to support the reimbursement claims.

Recommendation – Any flat rate reimbursement should be supported by associated receipts or other documentation to insure that the reimbursement is proper. Any unsupported flat rate reimbursements should be recorded through payroll as additional compensation to allow for the proper withholding of state and federal taxes per Internal Revenue Service guidelines.

Response – We are now recording all flat rate reimbursements through our payroll system to comply with all applicable requirements.

Conclusion – Response accepted.