

GRISWOLD COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

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Griswold Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Mary Perdue	President	2011
Angie Amos	Vice President	2011
Steve Baier	Board Member	2013
Clarion Campbell	Board Member	2011
Tom Moore	Board Member	2013
Jim Parker	Board Member	2013
Scott Hansen	Board Member	2011
School Officials		
Dana Kunze	Superintendent	2011
Tim Blum	Business Manager	2011
Nancy Taylor	Board Secretary	2011
Rick Franck	Attorney	2011

GRISWOLD COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Griswold 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 the Griswold Community School District, Griswold, Iowa as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as 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 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 the Griswold Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2012, on our consideration of the Griswold Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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Management's Discussion and Analysis and Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 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 supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Griswold 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 seven years ended June 30, 2010 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Griswold Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,403,309 in fiscal 2010 to \$6,510,189 in fiscal 2011 and General Fund expenditures increased from \$5,326,480 in fiscal 2010 to \$5,692,676 in fiscal 2011. This resulted in a increase in the District's General Fund balance from \$1,383,146 in fiscal 2010 to a balance of \$2,200,659 in fiscal 2011, a 59.11% increase from the prior year.
- The District's solvency ratio (unassigned fund balance/general fund revenues) increased from 18.88% for fiscal year 2010 to 30.02% for fiscal year 2011.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Griswold Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Griswold Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Griswold Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

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

Figure A-1
Griswold Community School District Annual Financial Report

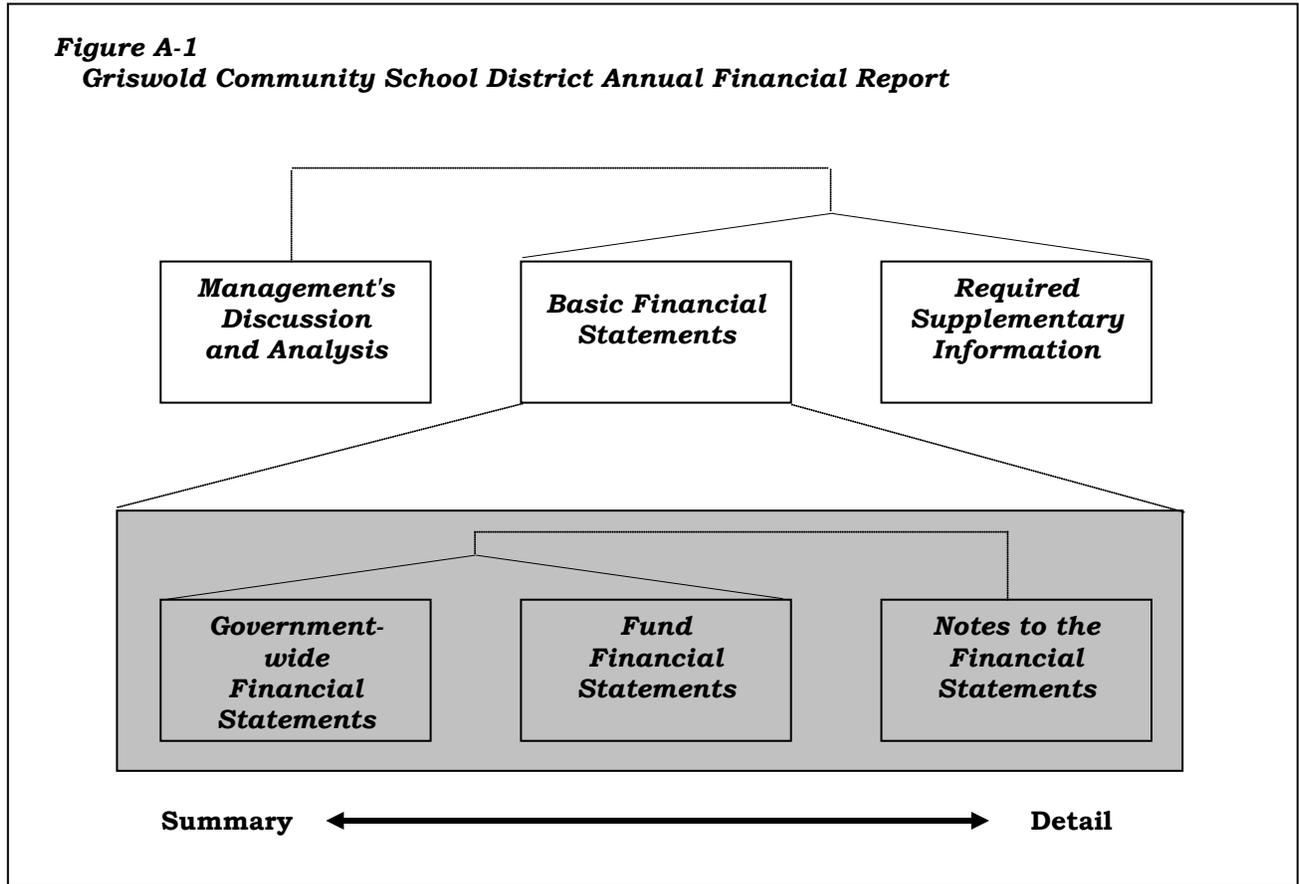


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-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, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • 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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial 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 government-wide financial 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 financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-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 grants.

The District has three kinds of funds:

- 1) *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 fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *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 government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2011 compared to June 30, 2010.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 7,480,309	6,294,650	61,255	67,453	7,541,564	6,362,103	18.54%
Capital assets	3,074,627	3,158,979	16,598	16,062	3,091,225	3,175,041	-2.64%
Total assets	<u>10,554,936</u>	<u>9,453,629</u>	<u>77,853</u>	<u>83,515</u>	<u>10,632,789</u>	<u>9,537,144</u>	<u>11.49%</u>
Long-term obligations	81,502	106,008	-	-	81,502	106,008	-23.12%
Other liabilities	3,713,663	3,467,986	26,697	26,858	3,740,360	3,494,844	7.03%
Total liabilities	<u>3,795,165</u>	<u>3,573,994</u>	<u>26,697</u>	<u>26,858</u>	<u>3,821,862</u>	<u>3,600,852</u>	<u>6.14%</u>
Net assets:							
Invested in capital assets	3,074,627	3,158,979	16,598	16,062	3,091,225	3,175,041	-2.64%
Restricted	1,499,418	1,261,148	-	-	1,499,418	1,261,148	18.89%
Unrestricted	2,185,726	1,459,508	34,558	40,595	2,220,284	1,500,103	48.01%
Total net assets	<u>\$ 6,759,771</u>	<u>5,879,635</u>	<u>51,156</u>	<u>56,657</u>	<u>6,810,927</u>	<u>5,936,292</u>	<u>14.73%</u>

The District's combined net assets increased by 14.73%, or \$874,635, over the prior year. The largest portion of the District's net assets is the invested in capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$238,270 or 18.89% over the prior year.

Unrestricted net assets– the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$720,181 or 48.01%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to June 30, 2010.

	Figure A-4 Changes in Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change	
	2011	2010	2011	2010	2011	2010	2010-11	
Revenues:								
Program revenues:								
Charges for services	\$ 354,198	265,767	168,222	187,079	522,420	452,846		15.36%
Operating grants and contributions and restricted interest	462,196	1,332,413	161,169	163,965	623,365	1,496,378		-58.34%
General revenues:								
Local tax	3,066,541	2,759,070	-	-	3,066,541	2,759,070		11.14%
Statewide sales, services and use tax	448,870	438,550	-	-	448,870	438,550		2.35%
Unrestricted state grants	2,745,010	2,143,697	-	-	2,745,010	2,143,697		28.05%
Nonspecific program federal grants	100,928	-	-	-	100,928	-		100.00%
Unrestricted investment earnings	12,590	18,559	109	162	12,699	18,721		-32.17%
Other	159,868	184,367	824	585	160,692	184,952		-13.12%
Total revenues	<u>7,350,201</u>	<u>7,142,423</u>	<u>330,324</u>	<u>351,791</u>	<u>7,680,525</u>	<u>7,494,214</u>		<u>2.49%</u>
Program expenses:								
Governmental activities:								
Instructional	4,036,583	3,572,157	-	-	4,036,583	3,572,157		13.00%
Support services	2,060,561	2,140,329	-	-	2,060,561	2,140,329		-3.73%
Non-instructional programs	878	1,225	335,825	335,042	336,703	336,267		0.13%
Other expenses	372,043	365,336	-	-	372,043	365,336		1.84%
Total expenses	<u>6,470,065</u>	<u>6,079,047</u>	<u>335,825</u>	<u>335,042</u>	<u>6,805,890</u>	<u>6,414,089</u>		<u>6.11%</u>
Change in net assets	880,136	1,063,376	(5,501)	16,749	874,635	1,080,125		-19.02%
Beginning net assets, as restated	<u>5,879,635</u>	<u>4,816,259</u>	<u>56,657</u>	<u>39,908</u>	<u>5,936,292</u>	<u>4,856,167</u>		<u>22.24%</u>
Ending net assets	<u>\$ 6,759,771</u>	<u>5,879,635</u>	<u>51,156</u>	<u>56,657</u>	<u>6,810,927</u>	<u>5,936,292</u>		<u>14.73%</u>

In fiscal 2011, local tax and unrestricted state grants account for 79.07% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.72% of the revenue from business type activities.

The District's total revenues were approximately \$7.68 million, of which approximately \$7.35 million was for governmental activities and approximately \$.33 million was for business type activities.

As shown in FigureA-4, the District as a whole experienced a 2.49% increase in revenues and a 6.11% increase in expenses. The increase in expenses is related to increases in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$7,350,201 and expenses were \$6,470,065. In a difficult budget year, the District was able to limit the increase in expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5						
Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 4,036,583	3,572,157	13.00%	3,474,397	2,222,242	56.35%
Support services	2,060,561	2,140,329	-3.73%	2,060,561	2,140,329	-3.73%
Non-instructional	878	1,225	-28.33%	878	1,225	-28.33%
Other expenses	372,043	365,336	1.84%	117,835	117,071	0.65%
Totals	<u>\$ 6,470,065</u>	<u>6,079,047</u>	<u>6.43%</u>	<u>5,653,671</u>	<u>4,480,867</u>	<u>26.17%</u>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$354,198.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$462,196.
- The net cost of governmental activities was financed with \$3,066,541 in local tax, \$448,870 in statewide sales, services and use tax, \$2,745,010 in unrestricted state grants, \$100,928 in nonspecific program federal grants, \$12,590 in unrestricted investment earnings and \$159,868 in other general revenues.

Business Type Activities

Revenues of the District's business type activities for the year ended June 30, 2011 were \$330,324 and expenses were \$335,825. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Griswold Community School District uses 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 well. As the District completed the year, its governmental funds reported combined fund balances of \$3,500,177, ahead of last year's ending fund balances of \$2,560,413.

Governmental Fund Highlights

- The General Fund balance increased from \$1,383,146 to \$2,200,659. This was largely the result of increased revenues from state and local sources during the year.
- The Capital Projects Fund improved from restated balance of \$989,745 at the beginning of fiscal year 2011 to \$1,179,151 at the end of fiscal year 2011. The beginning balance was restated as a result of the Physical Plant and Equipment Levy Fund reclassification as a Capital Projects Fund account in accordance with GASB Statement No. 54. The Statewide Sales, Services and Use Tax Fund revenues decreased \$39,811 and expenses decreased \$34,814 when compared to the previous year. Physical Plant and Equipment Levy Fund revenues increased \$64,667 and expenses increased \$24,249 compared to the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$56,657 at June 30, 2010 to \$51,156 at June 30, 2011, representing a decrease of 9.71%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$658,851 less than budgeted amounts, a variance of 7.90%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$3,091,225, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2.64% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$243,217.

The original cost of the District's capital assets was \$6,912,936. Governmental funds account for \$6,813,536 with the remainder of \$99,400 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2011, compared to \$14,500 reported at June 30, 2010. The change was due to the high school air conditioning project completed during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 80,747	80,747	-	-	80,747	80,747	0.00%
Construction in progress	-	14,500	-	-	-	14,500	100.00%
Buildings	2,644,212	2,728,725	-	-	2,644,212	2,728,725	-3.10%
Land improvements	54,713	55,355	-	-	54,713	55,355	-1.16%
Machinery and equipment	294,955	279,652	16,598	16,062	311,553	295,714	5.36%
Total	\$ 3,074,627	3,158,979	16,598	16,062	3,091,225	3,175,041	-2.64%

Long-Term Debt

At June 30, 2011, the District had \$81,502 in long-term debt outstanding. This represents a decrease of 23.1% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

Figure A-7			
Outstanding Long-Term Obligations			
	Total		Total
	District		Change
	June 30,		June 30,
	2011	2010	2010-11
Early retirement	\$ 51,672	90,426	-42.9%
Net OPEB liability	29,830	15,582	91.4%
Total	\$ 81,502	106,008	-23.1%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Continued budget concerns at the state level will affect future projections. The District has been forced to shift funding to property taxes.
- An Instructional Support Levy was passed in the spring of 2004. This revenue will continue to help offset increased technology expenditures.
- The District has faced declining enrollment since FY 2002.

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 Tim Blum, Business Manager, Griswold Community School District, 20 Madison Street, P.O. Box 280, Griswold, Iowa, 51535.

GRISWOLD COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

GRISWOLD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 4,149,450	52,129	4,201,579
Receivables:			
Property tax:			
Delinquent	57,891	-	57,891
Succeeding year	2,815,580	-	2,815,580
Income surtax	266,469	-	266,469
Due from other governments	190,919	-	190,919
Inventories	-	9,126	9,126
Capital assets, net of accumulated depreciation	3,074,627	16,598	3,091,225
Total assets	10,554,936	77,853	10,632,789
Liabilities			
Accounts payable	232,233	456	232,689
Salaries and benefits payable	576,755	22,192	598,947
Deferred revenue:			
Succeeding year property tax	2,815,580	-	2,815,580
Other	89,095	-	89,095
Unearned revenue	-	4,049	4,049
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	38,754	-	38,754
Portion due after one year:			
Early retirement payable	12,918	-	12,918
Net OPEB liability	29,830	-	29,830
Total liabilities	3,795,165	26,697	3,821,862
Net Assets			
Invested in capital assets	3,074,627	16,598	3,091,225
Restricted for:			
Categorical Funding	246,053	-	246,053
Management levy	51,953	-	51,953
Student activities	22,261	-	22,261
School infrastructure	1,100,454	-	1,100,454
Physical plant and equipment	78,697	-	78,697
Unrestricted	2,185,726	34,558	2,220,284
Total net assets	\$ 6,759,771	51,156	6,810,927

SEE NOTES TO FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,440,219	84,615	73,627	(2,281,977)	-	(2,281,977)
Special	728,000	44,390	32,733	(650,877)	-	(650,877)
Other	868,364	225,193	101,628	(541,543)	-	(541,543)
	<u>4,036,583</u>	<u>354,198</u>	<u>207,988</u>	<u>(3,474,397)</u>	<u>-</u>	<u>(3,474,397)</u>
Support services:						
Student	107,668	-	-	(107,668)	-	(107,668)
Instructional staff	216,858	-	-	(216,858)	-	(216,858)
Administration	557,934	-	-	(557,934)	-	(557,934)
Operation and maintenance of plant	710,565	-	-	(710,565)	-	(710,565)
Transportation	467,536	-	-	(467,536)	-	(467,536)
	<u>2,060,561</u>	<u>-</u>	<u>-</u>	<u>(2,060,561)</u>	<u>-</u>	<u>(2,060,561)</u>
Non-instructional programs						
Food service operations	878	-	-	(878)	-	(878)
Other expenditures:						
AEA flowthrough	254,208	-	254,208	-	-	-
Depreciation(unallocated)*	117,835	-	-	(117,835)	-	(117,835)
	<u>372,043</u>	<u>-</u>	<u>254,208</u>	<u>(117,835)</u>	<u>-</u>	<u>(117,835)</u>
Total governmental activities	6,470,065	354,198	462,196	(5,653,671)	-	(5,653,671)
Business type activities:						
Non-instructional programs:						
Food service operations	335,825	168,222	161,169	-	(6,434)	(6,434)
Total	<u>\$ 6,805,890</u>	<u>522,420</u>	<u>623,365</u>	<u>(5,653,671)</u>	<u>(6,434)</u>	<u>(5,660,105)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 2,758,246	-	2,758,246
Capital outlay				64,735	-	64,735
Income surtax				243,560	-	243,560
Statewide sales, services and use tax				448,870	-	448,870
Unrestricted state grants				2,745,010	-	2,745,010
Nonspecific program federal grants				100,928	-	100,928
Unrestricted investment earnings				12,590	109	12,699
Other				159,868	824	160,692
Total general revenues				<u>6,533,807</u>	<u>933</u>	<u>6,534,740</u>
Changes in net assets				880,136	(5,501)	874,635
Net assets beginning of year				<u>5,879,635</u>	<u>56,657</u>	<u>5,936,292</u>
Net assets end of year				<u>\$ 6,759,771</u>	<u>51,156</u>	<u>6,810,927</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 2,911,810	1,105,634	132,006	4,149,450
Receivables:				
Property tax:				
Delinquent	54,996	1,353	1,542	57,891
Succeeding year	2,675,227	65,354	74,999	2,815,580
Income surtax	266,469	-	-	266,469
Due from other governments	103,531	87,388	-	190,919
Total assets	\$ 6,012,033	1,259,729	208,547	7,480,309
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 203,828	15,224	13,181	232,233
Salaries and benefits payable	576,755	-	-	576,755
Deferred revenue:				
Succeeding year property tax	2,675,227	65,354	74,999	2,815,580
Income surtax	266,469	-	-	266,469
Other	89,095	-	-	89,095
Total liabilities	<u>3,811,374</u>	<u>80,578</u>	<u>88,180</u>	<u>3,980,132</u>
Fund balances:				
Restricted for:				
Categorical funding	246,053	-	-	246,053
Management levy purposes	-	-	103,625	103,625
Student activities	-	-	22,261	22,261
School infrastructure	-	1,100,454	-	1,100,454
Physical plant and equipment	-	78,697	-	78,697
Unassigned				
General	1,954,606	-	-	1,954,606
Student activities	-	-	(5,519)	(5,519)
Total fund balances	<u>2,200,659</u>	<u>1,179,151</u>	<u>120,367</u>	<u>3,500,177</u>
Total liabilities and fund balances	\$ 6,012,033	1,259,729	208,547	7,480,309

SEE NOTES TO FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

Total fund balances of governmental funds(page 20) \$ 3,500,177

***Amounts reported for governmental activities in the
 Statement of Net Assets are different because:***

Capital assets used in governmental activities are not
 financial resources and, therefore, are not reported as
 assets in in the governmental funds. 3,074,627

Accounts receivable income surtax, are not yet available
 to finance expenditures of the current fiscal period. 266,469

Long-term liabilities, including early retirement payable
 and other postemployment benefits payable, are not due and
 payable in the current period and, therefore, are not
 reported in the governmental funds. (81,502)

Net assets of governmental activities(page 18) \$ 6,759,771

GRISWOLD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	Capital			Total
	General	Projects	Nonmajor	
Revenues:				
Local sources:				
Local tax	\$ 2,927,304	513,605	74,284	3,515,193
Tuition	129,005	-	-	129,005
Other	155,704	10,636	241,368	407,708
State sources	3,042,035	12	14	3,042,061
Federal sources	256,016	-	-	256,016
Total revenues	<u>6,510,064</u>	<u>524,253</u>	<u>315,666</u>	<u>7,349,983</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,399,700	-	57,077	2,456,777
Special	726,834	-	-	726,834
Other	611,767	-	249,116	860,883
	<u>3,738,301</u>	<u>-</u>	<u>306,193</u>	<u>4,044,494</u>
Support services:				
Student	113,897	-	-	113,897
Instructional staff	220,492	-	-	220,492
Administration	538,355	-	14,074	552,429
Operation and maintenance of plant	445,228	193,441	36,207	674,876
Transportation	382,195	105,264	25,469	512,928
	<u>1,700,167</u>	<u>298,705</u>	<u>75,750</u>	<u>2,074,622</u>
Non-instructional programs				
Food service operations	-	-	878	878
Other expenditures:				
Facilities acquisitions	-	36,142	-	36,142
AEA flowthrough	254,208	-	-	254,208
	<u>254,208</u>	<u>36,142</u>	<u>-</u>	<u>290,350</u>
Total expenditures	<u>5,692,676</u>	<u>334,847</u>	<u>382,821</u>	<u>6,410,344</u>
Excess(Deficiency)of revenues over(under) expenditures	817,388	189,406	(67,155)	939,639
Other financing sources:				
Sale of equipment	125	-	-	125
Net change in fund balances	817,513	189,406	(67,155)	939,764
Fund balances beginning of year, as restated	1,383,146	989,745	187,522	2,560,413
Fund balances end of year	<u>\$ 2,200,659</u>	<u>1,179,151</u>	<u>120,367</u>	<u>3,500,177</u>

SEE NOTES TO FINANCIAL STATEMENTS.

GRISWOLD 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, 2011

Net change in fund balances - total governmental funds(page 22) \$ 939,764

**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 reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 154,765	
Depreciation expense	<u>(239,117)</u>	(84,352)

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 218

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	38,754	
Other postemployment benefits	<u>(14,248)</u>	<u>24,506</u>

Changes in net assets of governmental activities(page 19) \$ 880,136

GRISWOLD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	<u>School Nutrition</u>
Assets	
Cash and pooled investments	\$ 52,129
Inventories	9,126
Capital assets, net of accumulated depreciation	16,598
Total assets	<u>77,853</u>
Liabilities	
Accounts payable	456
Salaries and benefits payable	22,192
Unearned revenue	4,049
Total liabilities	<u>26,697</u>
Net Assets	
Invested in capital assets	16,598
Unrestricted	34,558
Total net assets	<u>\$ 51,156</u>

SEE NOTES TO FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

	School Nutrition
Operating revenue:	
Local sources:	
Charges for services	\$ 168,222
Miscellaneous	824
Total operating revenue	169,046
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	119,735
Benefits	18,143
Services	9,242
Supplies	183,372
Depreciation	4,100
Other	1,233
Total operating expenses	335,825
Operating loss	(166,779)
Non-operating revenues:	
State sources	2,889
Federal sources	158,280
Interest on investments	109
Total non-operating revenues	161,278
Change in net assets	(5,501)
Net assets beginning of year	56,657
Net assets end of year	\$ 51,156

SEE NOTES TO FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

Exhibit I

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 167,007
Cash received from miscellaneous	824
Cash payments to employees for services	(137,280)
Cash payments to suppliers for goods or services	(170,597)
Net cash used in operating activities	(140,046)
Cash flows from non-capital financing activities:	
State grants received	2,889
Federal grants received	139,534
Net cash provided by non-capital financing activities	142,423
Cash flows from capital and related financing activities:	
Purchase of capital assets	(4,636)
Cash flows from investing activities:	
Interest on investments	109
Net increase in cash and cash equivalents	(2,150)
Cash and cash equivalents at beginning of year	54,279
Cash and cash equivalents at end of year	\$ 52,129
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (166,779)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	18,746
Depreciation	4,100
Decrease in inventories	4,048
Increase in accounts payable	456
Increase in salaries and benefits payable	598
Decrease in unearned revenue	(1,215)
Net cash used in operating activities	\$ (140,046)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2011, the District received \$18,746 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 JUNE 30, 2011

	Private Purpose Trust
	Scholarship
Assets	
Cash and pooled investments	\$ 230,932
Liabilities	-
Net assets	
Restricted for scholarships	\$ 230,932

SEE NOTES TO FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2011

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest	\$ 4,905
Change in net assets	4,905
Net assets beginning of year	226,027
Net assets end of year	\$ 230,932

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(1) **Summary of Significant Accounting Policies**

The Griswold 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 city of Griswold, Iowa, and the predominate agricultural territory in Montgomery, Adams, Cass, and Pottawattamie 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, Griswold 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. The Griswold 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 do 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 Montgomery, Adams, Cass, and Pottawattamie County Assessors' Conference Board.

B. Basis of Presentation

Government-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 services.

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 consists of capital assets, net of accumulated depreciation.

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

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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 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 that are 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 and proprietary funds, even though the latter are excluded from the government-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 other nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

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 receipts that are 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 expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

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

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund is The Private Purpose Trust Fund.

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

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary 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 the 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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - restricted and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board

Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating 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, they 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. Delinquent property tax receivable represents unpaid taxes for the current and prior years. 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 government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax

accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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.

Capital Assets - Capital assets, which include property, machinery, equipment and intangibles are reported in the applicable governmental or business type activities columns in the Government-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	\$ 1,500
Buildings	1,500
Land improvements	1,500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means 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 in the governmental fund financial statements represent 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 as well as property tax receivables and other receivables not collected within sixty days after year end.

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

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term Liabilities - In the government-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.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

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

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets - In the government-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.

E. Budgets and Budgetary Accounting

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

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool 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 and the Treasurer of the State of Iowa;

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, 2011, the District had no investments.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 80,747	-	-	80,747
Construction in progress	14,500	14,500	29,000	-
Total capital assets not being depreciated	95,247	14,500	29,000	80,747
Capital assets being depreciated:				
Buildings	5,182,378	29,000	-	5,211,378
Land improvements	82,763	3,680	-	86,443
Machinery and equipment	1,298,383	136,585	-	1,434,968
Total capital assets being depreciated	6,563,524	169,265	-	6,732,789
Less accumulated depreciation for:				
Buildings	2,453,653	113,513	-	2,567,166
Land improvements	27,408	4,322	-	31,730
Machinery and equipment	1,018,731	121,282	-	1,140,013
Total accumulated depreciation	3,499,792	239,117	-	3,738,909
Total capital assets being depreciated, net	3,063,732	(69,852)	-	2,993,880
Governmental activities capital assets, net	\$ 3,158,979	(55,352)	29,000	3,074,627
Business type activities:				
Machinery and equipment	\$ 97,419	4,636	2,655	99,400
Less accumulated depreciation	81,357	4,100	2,655	82,802
Business type activities capital assets, net	\$ 16,062	536	-	16,598

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 31,278
Other	6,524
Support services:	
Instructional staff	2,400
Administration	2,838
Operation and maintenance of plant	17,486
Transportation	60,756
	121,282
Unallocated depreciation	117,835
Total governmental activities depreciation expense	\$ 239,117
Business type activities:	
Food services	\$ 4,100

(4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance			Balance	
	Beginning			End of	Due
	of Year	Additions	Deletions	Year	Within
					One Year
Early Retirement	\$ 90,426	-	38,754	51,672	38,754
Net OPEB liability	15,582	14,248	-	29,830	-
Total	\$ 106,008	14,248	38,754	81,502	38,754

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to years of service multiplied by the amounts from the early retirement schedule found in the District's early retirement policy. These benefits are subject to a maximum of \$18,750 per individual. Early retirement benefits of \$38,754 were paid during the year ended June 30, 2011.

(5) 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 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$235,850, \$225,567, and \$237,286 respectively, equal to the required contributions for each year.

(6) Other Postemployment Benefits

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 57 active and 6 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark Blue Cross Blue Shield. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which result in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the District's OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 22,925
Interest on net OPEB obligation	390
Adjustment to annual required contribution	<u>(1,609)</u>
Annual OPEB cost	21,706
Contributions made	<u>(7,458)</u>
Increase in net OPEB obligation	14,248
Net OPEB obligation beginning of year	<u>15,582</u>
Net OPEB obligation end of year	<u><u>\$ 29,830</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. 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, 2011.

For the year ended June 30, 2011, the District contributed \$234,844 to the medical plan. Plan members eligible for benefits contributed \$67,585, or 22.35% 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, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 21,312	26.89%	\$ 15,582
2011	21,706	34.36%	29,830

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$199,381, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$199,381. The covered payroll (annual payroll of active employees covered by the plan) was \$2,899,093, and the ratio of the UAAL to covered payroll was 6.88%. As of June 30, 2011 there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of event 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 July 1, 2009 actuarial valuation date, the Frozen Entry Age Actuarial Cost Method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries.

The projected claim costs of the medical plan for retirees under age 65 are illustrated per month in the following table.

	Single	With Spouse	With Child	Family
Plan A	\$ 375.26	867.21	731.82	1,474.08
Plan B	323.76	748.32	631.33	1,271.59

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(7) Risk Management

Griswold 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.

(8) 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 \$254,208 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Home School Assistance Program	\$ 7,408
Returning Dropouts and Dropout Prevention Programs	124,915
Teacher Salary Supplement	80,734
Professional Development for Model Core Curriculum	25,626
Teacher Development Academies	2,486
Professional Development	4,884
	<hr/>
Total	<u>\$ 246,053</u>

(10) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously stated	\$ 931,469	58,276
Change in fund type classification per implementation of GASB Statement No. 54	58,276	(58,276)
	<hr/>	<hr/>
Balances July 1, 2010, as restated	<u>\$ 989,745</u>	<u>-</u>

(11) Deficit Unassigned Fund Balance

The Special Revenue: Student Activity Fund had a deficit unassigned fund balance of \$5,519 at June 30, 2011.

GRISWOLD COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

GRISWOLD COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 4,051,906	169,155	4,221,061	4,329,759	4,329,759	(108,698)
Intermediate sources	-	-	-	5,000	5,000	(5,000)
State sources	3,042,061	2,889	3,044,950	3,612,399	3,612,399	(567,449)
Federal sources	256,016	158,280	414,296	392,000	392,000	22,296
Total revenues	7,349,983	330,324	7,680,307	8,339,158	8,339,158	(658,851)
Expenditures/Expenses:						
Instruction	4,044,494	-	4,044,494	5,125,431	5,125,431	1,080,937
Support services	2,074,622	-	2,074,622	2,757,937	2,757,937	683,315
Non-instructional programs	878	335,825	336,703	633,250	633,250	296,547
Other expenditures	290,350	-	290,350	1,344,072	1,344,072	1,053,722
Total expenditures/expenses	6,410,344	335,825	6,746,169	9,860,690	9,860,690	3,114,521
Excess(Deficiency) of revenues over(under) expenditures	939,639	(5,501)	934,138	(1,521,532)	(1,521,532)	2,455,670
Other financing sources, net	125	-	125	-	-	125
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	939,764	(5,501)	934,263	(1,521,532)	(1,521,532)	2,455,795
Balances beginning of year	2,560,413	56,657	2,617,070	2,337,159	2,337,159	279,911
Balances end of year	\$ 3,500,177	51,156	3,551,333	815,627	815,627	2,735,706

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GRISWOLD COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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 comparison 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 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 GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. 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 functional 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.

GRISWOLD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 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 (UAAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 199,381	199,381	0.0%	\$ 2,695,812	7.4%
2011	July 1, 2009	-	199,381	199,381	0.0%	2,899,093	6.9%

See Note 6 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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OTHER SUPPLEMENTARY INFORMATION

GRISWOLD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2011

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 105,212	26,794	132,006
Receivables:			
Property tax:			
Delinquent	1,542	-	1,542
Succeeding year	74,999	-	74,999
Total assets	\$ 181,753	26,794	208,547
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 3,129	10,052	13,181
Deferred revenue:			
Succeeding year property tax	\$ 74,999	-	74,999
Total liabilities	78,128	10,052	88,180
Fund Balances:			
Restricted for:			
Management levy purposes	103,625	-	103,625
Student activities	-	22,261	22,261
Unassigned	-	(5,519)	(5,519)
Total fund balances	103,625	16,742	120,367
Total liabilities and fund balances	\$ 181,753	26,794	208,547

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GRISWOLD COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2011

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 74,284	-	74,284
Other	6,523	234,845	241,368
State sources	14	-	14
Total revenues	<u>80,821</u>	<u>234,845</u>	<u>315,666</u>
Expenditures:			
Current:			
Instruction:			
Regular	57,077	-	57,077
Other	-	249,116	249,116
Support services:			
Administration	14,074	-	14,074
Operation and maintenance of plant	36,207	-	36,207
Transportation	23,972	1,497	25,469
Non-instructional programs:			
Food service operations	878	-	878
Total expenditures	<u>132,208</u>	<u>250,613</u>	<u>382,821</u>
Deficiency of revenues under expenditures	(51,387)	(15,768)	(67,155)
Fund balances beginning of year, as restated	<u>155,012</u>	<u>32,510</u>	<u>187,522</u>
Fund balances end of year	<u>\$ 103,625</u>	<u>16,742</u>	<u>120,367</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GRISWOLD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,028,290	77,344	1,105,634
Recivables:			
Property tax:			
Delinquent	-	1,353	1,353
Succeeding year	-	65,354	65,354
Due from other governments	87,388	-	87,388
Total assets	\$ 1,115,678	144,051	1,259,729
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 15,224	-	15,224
Deferred revenue:			
Succeeding year property tax	-	65,354	65,354
Total liabilities	15,224	65,354	80,578
Fund balances:			
Restricted for:			
School infrastructure	1,100,454	-	1,100,454
Physical plant and equipment	-	78,697	78,697
Total fund balances	1,100,454	78,697	1,179,151
Total liabilities and fund balances	\$ 1,115,678	144,051	1,259,729

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GRISWOLD COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 448,870	64,735	513,605
Other	10,511	125	10,636
State sources	-	12	12
Total revenues	<u>459,381</u>	<u>64,872</u>	<u>524,253</u>
Expenditures:			
Support Services:			
Operation and maintenance of plant	193,441	-	193,441
Transportation	81,205	24,059	105,264
Other expenditures:			
Facilities acquisitions	15,750	20,392	36,142
Total expenditures	<u>290,396</u>	<u>44,451</u>	<u>334,847</u>
Net change in fund balances	168,985	20,421	189,406
Fund balances beginning year, as restated	<u>931,469</u>	<u>58,276</u>	<u>989,745</u>
Fund balances end of year	<u>\$ 1,100,454</u>	<u>78,697</u>	<u>1,179,151</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GRISWOLD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Instrumental Music	859	1,837	2,132	564
Vocal Music	2,406	2,154	1,639	2,921
Athletics	4,019	59,453	68,882	(5,410)
Annuals	6,719	1,741	7,100	1,360
Class of 2013	-	6,473	3,506	2,967
Class of 2012	1,862	-	1,047	815
Class of 2011	1,826	-	1,826	-
Class of 2010	94	-	-	94
FFA	3,511	26,096	27,035	2,572
FHA	162	8,060	6,247	1,975
Health Services	1,141	75	-	1,216
HOSA	2,234	11,212	13,437	9
MS Activity	392	232	232	392
General Activity	283	4,384	1,974	2,693
N.H.S.	352	688	690	350
Now Interest	161	128	-	289
Spanish Club	185	-	18	167
Student Council	752	7,393	8,254	(109)
Washington Trip	5,552	89,878	92,026	3,404
5th Grade	-	4,484	4,082	402
Elementary Fundraiser	-	9,566	9,500	66
MS Book Fair	-	991	986	5
Total	\$ 32,510	234,845	250,613	16,742

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GRISWOLD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST EIGHT YEARS

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 3,515,193	3,154,939	2,885,622	2,388,717	2,126,459	2,616,166	2,427,686	2,420,097
Tuition	129,005	132,671	155,295	147,184	190,352	170,893	170,793	191,255
Other	407,708	372,109	461,046	287,520	324,300	315,734	204,022	222,756
State sources	3,042,061	2,781,860	3,104,919	3,190,512	3,030,523	2,763,327	2,668,263	2,609,392
Federal sources	256,016	657,493	119,731	146,427	155,058	158,878	171,340	202,512
Total	\$ 7,349,983	7,099,072	6,726,613	6,160,360	5,826,692	6,024,998	5,642,104	5,646,012
Expenditures:								
Current:								
Instruction:								
Regular	\$ 2,456,777	2,498,979	2,620,396	2,569,345	2,120,990	2,210,723	1,892,645	2,116,005
Special	726,834	624,716	647,639	731,015	571,774	544,821	596,605	681,874
Other	860,883	476,470	684,704	522,357	862,850	588,633	615,473	467,506
Support services:								
Student	113,897	146,286	184,846	183,364	58,264	37,068	123,521	56,634
Instructional staff	220,492	212,879	258,058	304,243	355,909	293,098	173,106	164,908
Administration	552,429	580,712	645,726	625,883	635,085	591,533	519,779	501,286
Operation and maintenance of plant	674,876	725,868	632,060	803,192	697,887	656,086	558,042	420,855
Transportation	512,928	379,167	441,440	555,498	390,723	301,266	287,520	256,263
Other support services	-	-	-	-	-	-	-	4,875
Non-instructional programs	878	1,225	804	541	453	3,705	2,845	5,533
Other expenditures:								
Facilities acquisitions	36,142	113,295	399,302	24,967	77,691	227,282	15,669	112,141
Long-term debt:								
Principal	-	-	-	-	-	245,000	295,000	285,000
Interest and other charges	-	-	-	-	-	9,710	20,035	28,485
AEA flow-through	254,208	248,265	213,339	206,748	192,460	186,413	185,312	189,400
Total	\$ 6,410,344	6,007,862	6,728,314	6,527,153	5,964,086	5,895,338	5,285,552	5,290,765

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Griswold 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 Griswold Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 21, 2012. 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 Griswold 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 Griswold Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Griswold 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, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness and other deficiencies we consider to be a significant deficiency.

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 on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-11 and I-B-11 to be a material weaknesses.

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 deficiencies described in Part I of the accompanying Schedule of Findings as items I-C-11 and I-D-11 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Griswold 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, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 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.

Griswold Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Griswold 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 Griswold Community School District and other parties to whom Griswold Community School District may report, including federal awarding agencies and pass-through entities, and 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 Griswold 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.



NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2012

GRISWOLD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-11 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. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - The District continues to review the optimum distribution of the workload.

Conclusion - Response accepted.

I-B-11 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. The District's records required numerous end of year adjustments. There were no end of year adjustments made to the Nutrition Fund to convert the financial statements to GAAP basis.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every district. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - Training schedules from our software provider will be reviewed and appropriate training will be completed.

Conclusion - Response accepted.

I-C-11 Gate Admissions - Although the District utilizes pre-numbered tickets for all events that require admissions, there does not appear to be a subsequent reconciliation and sign-off by the ticket takers of the tickets sold to cash collected.

Recommendation -The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to the individuals involved. The Board would of course, approve any policies that the District's business office should be involved in developing the detailed procedures. At a minimum the procedures should be:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The District will develop the necessary procedures to comply with the recommendation.

Conclusion - Response accepted.

I-D-11 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In compliance with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches, and determine that the wage paid is in compliance with minimum wage requirements as well as any overtime issues.

Response - The District will have coaches track their hours worked.

Conclusion - Response accepted.

GRISWOLD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-11 Certified Budget - District disbursements for the year ended June 30, 2011, did not exceed the amount budgeted.
- II-B-11 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-11 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.
- II-D-11 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Diane Keiser, Assistant Technology Coordinator Owns Hano's Printing	Printing services	\$862
Bob Amos, Coach Owns Bob's Mowing	Services	\$3,973

In accordance with the Attorney's General's opinion dated July 2, 1990, the above transactions with District employees do not appear to represent a conflict of interest.

- II-E-11 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.
- II-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-11 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-11 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-11 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use 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, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2011 audit:

Beginning Balance		\$	931,469
Revenues:			
Sales tax revenue	\$	448,870	
Other local revenues		10,511	459,381
			<u>1,390,850</u>
Expenditures:			
School infrastructure construction	\$	15,750	
Equipment		274,646	290,396
			<u>290,396</u>
Ending Balance		\$	<u><u>1,100,454</u></u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-11 District and Regional Rents - We noted during our audit that the District receives money for use of facilities when hosting district and regional events. The District currently receipts these into the Student Activity Fund.

Recommendation - Chapter 297.9 of the code of Iowa requires rent to be receipted into the general fund. The District should receipt rent collected for facility usage into the General Fund.

Response - The District will make the necessary changes to its procedures.

Conclusion - Response accepted.

II-N-11 Deficit Balances - Two student activity accounts had deficit balances totaling \$5,519 at June 30, 2011.

Recommendation - The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response - Deficit balances will be investigated and clear negative balances where appropriate.

Conclusion - Response accepted.

II-O-11 Contract Signatures- We noted during our audit that contracts for the purchase of a bus and a truck, for the installation of a fire alarm system and for athletic officials were not signed by the Board President. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts that bind the District financially.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - The District will make the necessary changes to its procedures.

Conclusion - Response accepted.

II-P-11 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended. The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

Coca-Cola Commissions: We noted Coca-Cola commissions receipted into the Student Activity Fund. The General Fund is the only allowable fund for commission revenue recognition.

Recommendation - In the future, Coca-Cola commissions should be recorded in the General Fund.

Response - The District will make the necessary changes to its procedures.

Conclusion - Response accepted.

Scholarship awards: We noted scholarships being paid to students from the FCCLA account in the Student Activity Fund. Also, that the checks written by the District for the award were written to the student only.

Recommendation - Scholarships are most appropriately paid from the Private Purpose Trust Fund; therefore, funds intended for scholarships should be placed and expended from the Private Purpose Trust Fund. The checks written for scholarships should be made payable to both the student and the college the student is attending once the student has provided proof of attendance.

Response - The District will make the necessary changes to its procedures.

Conclusion - Response accepted.