

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT
GRINNELL, IOWA

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

JUNE 30, 2013

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GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before and After September 2012 election)		
Jeff Smith	President	2013
Doug Cameron	Vice President	2013
Barbara Brown	Board Member	2013
Leo Lease	Board Member	2013
Carol Wilhelm	Board Member	2015
Claire Moisan	Board Member	2015
Jeff Knobloch	Board Member	2015
<u>School Officials</u>		
Todd Abrahamson	Superintendent	2014
J.T. Anderson	Board Treasurer/ Business Manager (Resigned April 2013)	2013
Lisa Johnson	Board Treasurer/ Business Manager (Appointed April 2013)	2013
Susan Kriegel	Board Secretary	2013
Donald L. Schild	Attorney	2013
Gruhn Law Firm	Attorney	2013

DOUGLAS T. HUNT, CPA
DONALD D. KAIN
CHUCK C. CONVERSE, CPA
RUSSELL S. TERPSTRA, CPA
MICHAEL G. STANLEY, CPA
DEE A.A. HOKE, CPA

HUNT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grinnell-Newburg Community School District, Grinnell-Newburg Iowa, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Grinnell-Newburg Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 52 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grinnell-Newburg Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financials statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 27, 2013 on our consideration of Grinnell-Newburg Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Grinnell-Newburg Community School District's internal control over financial reporting and compliance.

Oskaloosa, Iowa
December 27, 2013

Hunt & Associates, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Grinnell-Newburg Community School District's comprehensive annual financial report presents management's discussion and analysis of the District's financial performance for the year ending June 30, 2013. Please read it in conjunction with the district's financial statements.

Financial Highlights

- General Fund revenues decreased from \$17,254,638 in FY12 to \$16,559,415 in FY13, while General Fund expenditures increased from \$16,296,419 in FY12 to \$16,568,349 in FY13. Expenditures exceeded revenues by \$8,934 in FY13. In FY12, revenues exceeded expenditures by \$958,219.

The General Fund balance at June 30, 2013 was \$4,305,785 or 26.0% of general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

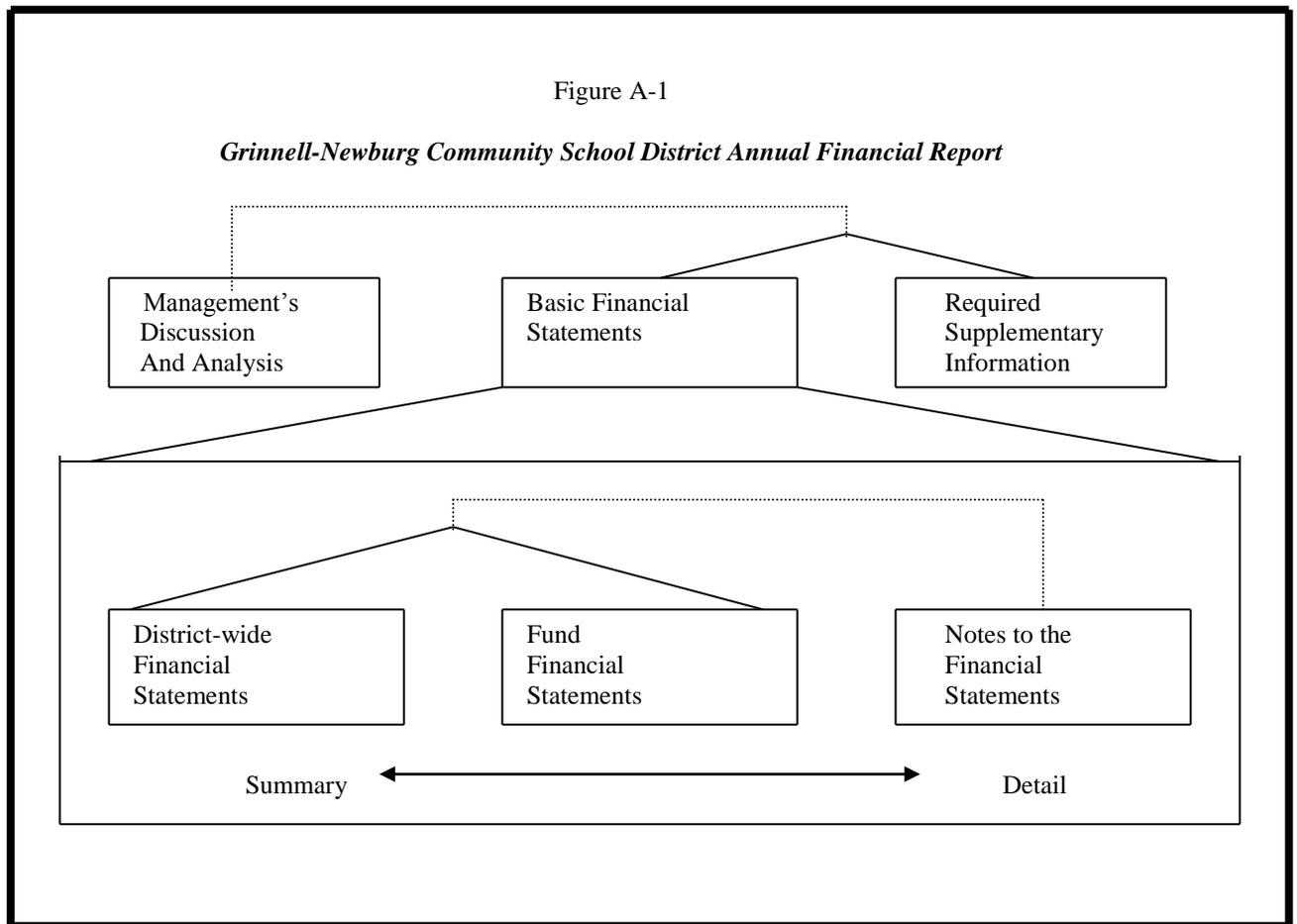


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents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

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

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The School District as a Whole

Net assets. A comparison of the District's combined net position for 2012 and 2013 follows:

Figure A-3
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total School District	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and other Assets	\$20,234,130	\$18,775,714	\$86,658	\$115,780	\$20,320,788	\$18,891,494
Capital assets	<u>20,388,867</u>	<u>20,927,494</u>	<u>112,391</u>	<u>118,051</u>	<u>20,501,258</u>	<u>21,045,545</u>
Total assets	40,622,997	39,703,118	199,049	233,831	40,822,046	39,936,949
Long-term obligations	5,206,465	5,898,167	3,328	3,328	5,209,793	5,901,495
Other obligations	<u>9,114,266</u>	<u>9,252,996</u>	<u>56,093</u>	<u>58,039</u>	<u>9,170,359</u>	<u>9,311,035</u>
Total liabilities	14,320,731	15,151,163	59,421	61,367	14,380,152	15,212,530
Net position						
Net investment in capital assets	16,179,202	16,352,494	112,391	118,051	16,291,593	16,470,545
Restricted	5,696,788	4,024,951			5,696,788	4,024,951
Unrestricted	<u>4,426,276</u>	<u>4,174,510</u>	<u>27,237</u>	<u>54,413</u>	<u>4,453,513</u>	<u>4,228,923</u>
Total net position	<u>\$26,302,266</u>	<u>\$24,551,955</u>	<u>\$139,628</u>	<u>\$172,464</u>	<u>\$26,441,894</u>	<u>\$24,724,419</u>

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

Change in net position – Figure A-4 shows a comparison of the changes in net position for two years ending June 30, 2012 and 2013.

Figure A-4

Changes in Net Position

	Governmental Activities		Business-type Activities		Total School District	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for service & sales	\$ 1,045,633	\$ 1,240,126	\$ 418,766	\$ 488,331	\$ 1,464,399	\$ 1,728,457
Operating grants, contributions, and restricted interest	2,330,017	2,561,396	397,809	420,996	2,727,826	2,982,392
Capital grants, contributions and restricted interest	-	190,000	11,875	-	11,875	190,000
General revenues:						
Property tax:						
General purposes	6,519,931	6,550,146	-	-	6,519,931	6,550,146
Debt Service	770,524	796,448	-	-	770,524	796,448
PPEL	592,425	371,361	-	-	592,425	371,361
Local Option Sales and Services tax	1,368,174	1,344,903	-	-	1,368,174	1,344,903
Income Surtax	449,416	670,140	-	-	449,416	670,140
Unrestricted state grants	7,607,401	7,300,306	-	-	7,607,401	7,300,306
Unrestricted interest earnings	8,931	20,223	146	329	9,077	20,552
Other	<u>64,530</u>	<u>64,263</u>	<u>-</u>	<u>3,429</u>	<u>64,530</u>	<u>67,692</u>
Total revenues	\$20,756,982	\$21,109,312	\$ 828,596	\$ 913,085	\$21,585,578	\$22,022,397
Program expenses:						
Instruction	\$11,303,067	\$12,793,696	-	-	\$11,303,067	\$12,793,696
Support Services	5,766,454	5,352,081	6,641	6,386	5,773,095	5,358,467
Non-instructional programs	-	-	854,791	892,241	854,791	892,241
Other expenses	<u>1,937,150</u>	<u>1,680,798</u>	<u>-</u>	<u>-</u>	<u>1,937,150</u>	<u>1,680,798</u>
	\$19,006,671	\$19,826,575	\$861,432	\$898,627	\$19,868,103	\$20,725,202
Change in net position	\$1,750,311	\$1,282,737	(\$32,836)	\$14,458	\$ 1,717,475	\$ 1,297,195

The major sources of 2013 revenues for the District were property tax and unrestricted state grants, accounting for 72% of the 2013 revenues. Other revenue sources were charges for sales and services, 7%; operating grants, contributions, and unrestricted interest, 13%; sales and services tax, 6%; income surtax, 2%; and other sources, <1%.

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

Governmental Activities

Governmental activities revenues for 2013 were \$20,756,982 and expenses were \$19,006,671 resulting in a net position increase of \$1,750,311.

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

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction	\$11,303,067	\$12,793,696	\$8,690,617	\$9,769,763
Support Services	5,766,454	5,352,081	5,732,491	5,298,374
Non-instructional programs				
Other expenses	<u>1,937,150</u>	<u>1,680,798</u>	<u>1,207,913</u>	<u>766,916</u>
Totals	\$19,006,671	\$19,826,575	\$15,631,021	\$15,835,053

- The cost financed by users of the District's programs was \$1,045,633 in 2013, compared to \$1,240,126 in 2012.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,330,017 in 2013, compared to \$2,561,396 in 2012.
- The net cost of governmental activities was financed with \$9,700,470 of property and other taxes, \$7,607,401 unrestricted state funds, \$8,931 in unrestricted investment earnings, and \$64,530 in other revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$828,596 and expenses were \$861,432. 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.

Financial Analysis of the District's Funds

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District ended 2013, its governmental funds reported combined fund balances of \$10,436,453.

Governmental Fund Highlights

The General Fund balance decreased by \$1,900 in 2013. This follows an increase of fund balance of \$958,101 from the previous year. The Capital Projects Fund balance increased by \$1,385,906 from the previous year. The Debt Service Fund balance decreased \$2,226 from the previous year. Nonmajor Governmental Funds balances increased \$450,377 from the previous year.

Proprietary Fund Highlights

The School Nutrition fund net position decreased from \$172,464 in 2012 to \$139,628 in 2013. The District's After School Enterprise Fund (childcare) was closed-out during 2012, as the district no longer administers an after school program.

Budgetary Highlights

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

Legal Budgetary Highlights

The District's total actual revenues were \$85,864 less than the total projected certified budget revenues.

Total expenditures/expenses were \$9,139,075 less than budgeted. Budgeted expenditures/expenses were overstated as it is the practice of the District to budget expenditures at the maximum authorized spending authority for all funds. The District controls spending through the line-item budget. As a result, the District's certified budget should always exceed the actual expenditures/expenses during the year.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2013 the District had invested \$20,388,867 net of accumulated depreciation of \$10,769,449 in a broad range of governmental capital assets, including land, buildings and building improvements, ground improvements, vehicles, and furniture. Business-type activities had invested \$112,391 net of accumulated depreciation of \$184,044 in capital assets. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$932,947 for governmental activities, and \$17,535 for business-type activities.

The District has set capitalization levels of \$5,000 for all governmental activities assets except buildings and improvements other than buildings which have a capitalization level of \$20,000 and intangible assets which have a capitalization level of \$100,000. Business-type activities utilize the \$500 capitalization level as required by regulations of the Bureau of Food and Nutrition.

Significant capital assets activities included improvements other than buildings and equipment additions.

Figure A-6

	Capital Assets, net of Depreciation		
	Governmental Activities	Business-type Activities	Total School District
Land	\$ 52,500	\$ -	\$ 52,500
Buildings	19,063,842	-	19,063,842
Improvements, other than buildings	317,275	-	317,275
Furniture and equipment	<u>955,250</u>	<u>112,391</u>	<u>1,067,641</u>
Total	<u>\$20,388,867</u>	<u>\$112,391</u>	<u>\$20,501,258</u>

Long-Term Liabilities

At June 30, 2013 the District had long-term liabilities totaling \$5,209,793 of which \$87,810 was for early retirement benefits and \$3,925,000 was for general-obligation bond debt. More detailed information is available in Note 5 to the financial statements.

Factors Bearing on the District's Future

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

- District enrollment for 2013-14 was 1,625, a decrease of 45 from the prior year. Enrollment is projected to slightly decline over the coming five to ten year period.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lisa Johnson, Business Manager, Grinnell-Newburg Community School District, 927 4th Avenue, Grinnell, Iowa 50112.

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Basic Financial Statements

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 11,289,449	\$ 61,534	\$ 11,350,983
Receivables:			
Property tax:			
Current year	136,349	-	136,349
Succeeding year	7,837,259	-	7,837,259
Income surtax	447,753	-	447,753
Accounts	230,577	-	230,577
Due from other governments	292,743	13,255	305,998
Inventories	-	11,869	11,869
Capital assets, net of accumulated depreciation (note 4)	20,388,867	112,391	20,501,258
Total assets	40,622,997	199,049	40,822,046
Liabilities			
Accounts payable	330,012	2,619	332,631
Salaries and benefits payable	919,297	45,370	964,667
Accrued interest payable	21,117	-	21,117
Deferred revenue:			
Succeeding year property tax	7,837,259	-	7,837,259
Other	6,581	8,104	14,685
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	87,810	-	87,810
Bonds payable	675,000	-	675,000
Capital lease purchase payable	295,056	-	295,056
Compensated absences	6,263	-	6,263
Portion due after one year:			
Bonds payable	3,250,000	-	3,250,000
Capital lease purchase payable	619,664	-	619,664
Net OPEB liability	272,672	3,328	276,000
Total liabilities	14,320,731	59,421	14,380,152

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	\$ 16,179,202	\$ 112,391	\$ 16,291,593
Restricted for:			
Categorical funding	238,081	-	238,081
Management levy purposes	830,432	-	830,432
Student activities	347,509	-	347,509
Debt service	36,303	-	36,303
Capital projects	4,244,463	-	4,244,463
Unrestricted	<u>4,426,276</u>	<u>27,237</u>	<u>4,453,513</u>
 Total net position	 <u>\$ 26,302,266</u>	 <u>\$ 139,628</u>	 <u>\$ 26,441,894</u>

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular instruction	\$ 6,709,101	\$ 387,182	\$ 1,267,239	\$ -
Special instruction	2,450,846	164,009	277,770	-
Other instruction	2,143,120	439,463	76,787	-
	<u>11,303,067</u>	<u>990,654</u>	<u>1,621,796</u>	<u>-</u>
Support services:				
Student	486,749	-	-	-
Instructional staff	435,349	-	11,492	-
Administration	2,314,997	-	-	-
Operation and maintenance of plant	1,749,754	10,574	-	-
Transportation	779,605	11,897	-	-
	<u>5,766,454</u>	<u>22,471</u>	<u>11,492</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	354,871	32,508	-	-
Long-term debt interest and fiscal charges	141,867	-	-	-
AEA flowthrough	696,729	-	696,729	-
Depreciation (unallocated) *	743,683	-	-	-
	<u>1,937,150</u>	<u>32,508</u>	<u>696,729</u>	<u>-</u>
Total governmental activities	<u>19,006,671</u>	<u>1,045,633</u>	<u>2,330,017</u>	<u>-</u>

Net (Expense) Revenue
and Changes in Net Position

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ (5,054,680)	\$ -	\$ (5,054,680)
(2,009,067)	-	(2,009,067)
<u>(1,626,870)</u>	<u>-</u>	<u>(1,626,870)</u>
<u>(8,690,617)</u>	<u>-</u>	<u>(8,690,617)</u>
(486,749)	-	(486,749)
(423,857)	-	(423,857)
(2,314,997)	-	(2,314,997)
(1,739,180)	-	(1,739,180)
<u>(767,708)</u>	<u>-</u>	<u>(767,708)</u>
<u>(5,732,491)</u>	<u>-</u>	<u>(5,732,491)</u>
(322,363)	-	(322,363)
(141,867)	-	(141,867)
-	-	-
<u>(743,683)</u>	<u>-</u>	<u>(743,683)</u>
<u>(1,207,913)</u>	<u>-</u>	<u>(1,207,913)</u>
<u>(15,631,021)</u>	<u>-</u>	<u>(15,631,021)</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions
Business-Type Activities:				
Support services:				
Food service operations	\$ 6,641	\$ -	\$ -	\$ -
Non-instructional programs:				
Food service operations	854,791	418,766	397,809	11,875
Total business-type activities	861,432	418,766	397,809	11,875
Total	\$ 19,868,103	\$ 1,464,399	\$ 2,727,826	\$ 11,875

General revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
Income surtax
Statewide sales, services and use tax
Unrestricted state and federal grants
Unrestricted investment earnings
Other

Total general revenues

Change in net position

Net position beginning of year

Net position end of year

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Position

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ <u> -</u>	\$ <u> (6,641)</u>	\$ <u> (6,641)</u>
<u> -</u>	<u> (26,341)</u>	<u> (26,341)</u>
<u> -</u>	<u> (32,982)</u>	<u> (32,982)</u>
<u>(15,631,021)</u>	<u> (32,982)</u>	<u>(15,664,003)</u>
\$ 6,519,931	\$ -	\$ 6,519,931
770,524	-	770,524
592,425	-	592,425
449,416	-	449,416
1,368,174	-	1,368,174
7,607,401	-	7,607,401
8,931	146	9,077
64,530	-	64,530
<u>17,381,332</u>	<u>146</u>	<u>17,381,478</u>
1,750,311	(32,836)	1,717,475
<u>24,551,955</u>	<u>172,464</u>	<u>24,724,419</u>
\$ <u><u>26,302,266</u></u>	\$ <u><u>139,628</u></u>	\$ <u><u>26,441,894</u></u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 5,179,472	\$ 37,310	\$ 4,522,740	\$ 1,293,152	\$ 11,032,674
Receivables:					
Property tax:					
Current year	98,882	17,576	9,338	10,553	136,349
Succeeding year	5,830,516	1,358,751	502,994	144,998	7,837,259
Income surtax	447,753	-	-	-	447,753
Accounts	223,275	-	7,302	-	230,577
Due from other governments	1,842	-	290,901	-	292,743
 Total assets	 <u>\$ 11,781,740</u>	 <u>\$ 1,413,637</u>	 <u>\$ 5,333,275</u>	 <u>\$ 1,448,703</u>	 <u>\$ 19,977,355</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 271,808	\$ -	\$ 20,250	\$ 37,954	\$ 330,012
Salaries and benefits payable	919,297	-	-	-	919,297
Deferred revenue:					
Succeeding year property tax	5,830,516	1,358,751	502,994	144,998	7,837,259
Other	454,334	-	-	-	454,334
Total liabilities	<u>7,475,955</u>	<u>1,358,751</u>	<u>523,244</u>	<u>182,952</u>	<u>9,540,902</u>
Fund balances:					
Restricted for:					
Categorical funding (note 10)	238,081	-	-	-	238,081
Debt service	-	54,886	-	-	54,886
Management levy purposes	-	-	-	918,242	918,242
Student activities	-	-	-	347,509	347,509
Other capital projects	-	-	112,526	-	112,526
School infrastructure	-	-	4,131,937	-	4,131,937
Physical plant and equipment	-	-	565,568	-	565,568
Unassigned	4,067,704	-	-	-	4,067,704
Total fund balances	<u>4,305,785</u>	<u>54,886</u>	<u>4,810,031</u>	<u>1,265,751</u>	<u>10,436,453</u>
Total liabilities and fund balances	<u>\$ 11,781,740</u>	<u>\$ 1,413,637</u>	<u>\$ 5,333,275</u>	<u>\$ 1,448,703</u>	<u>\$ 19,977,355</u>

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 June 30, 2013

Total fund balances of governmental funds	\$ 10,436,453
Amounts reported for governmental activities in the Statement of Net Position are different because:	
The Internal Service Fund accounts for the partial self-funding health insurance operations of the District and, due to the integral nature of the activities to the governmental funds, is incorporated into the governmental activities within the Statement of Net Position	256,775
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	20,388,867
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	447,753
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(21,117)
Long-term liabilities, including bonds payable, compensated absences, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(5,206,465)</u>
Net position of governmental activities	<u><u>\$ 26,302,266</u></u>

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 6,049,492	\$ 770,200	\$ 2,138,533	\$ 1,001,968	\$ 9,960,193
Tuition	403,579	-	-	-	403,579
Other	265,685	-	6,014	503,564	775,263
State sources	9,433,154	324	242	463	9,434,183
Federal sources	407,505	-	-	-	407,505
Total revenues	<u>16,559,415</u>	<u>770,524</u>	<u>2,144,789</u>	<u>1,505,995</u>	<u>20,980,723</u>
Expenditures:					
Current:					
Instruction	<u>10,729,475</u>	-	21,670	637,105	11,388,250
Support services:					
Student	486,692	-	-	-	486,692
Instructional staff	435,330	-	-	-	435,330
Administration	2,120,479	-	42,137	171,230	2,333,846
Operation and maintenance of plant	1,470,792	-	39,916	225,286	1,735,994
Transportation	628,852	-	338,976	21,997	989,825
	<u>5,142,145</u>	-	<u>421,029</u>	<u>418,513</u>	<u>5,981,687</u>
Other expenditures:					
Facilities acquisition	-	-	371,421	-	371,421
Long term debt:					
Principal	-	890,848	-	-	890,848
Interest and fiscal charges	-	143,838	-	-	143,838
AEA flowthrough	696,729	-	-	-	696,729
	<u>696,729</u>	<u>1,034,686</u>	<u>371,421</u>	-	<u>2,102,836</u>
Total expenditures	<u>16,568,349</u>	<u>1,034,686</u>	<u>814,120</u>	<u>1,055,618</u>	<u>19,472,773</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,934)</u>	<u>(264,162)</u>	<u>1,330,669</u>	<u>450,377</u>	<u>1,507,950</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):					
Sale of equipment	\$ 7,034	\$ -	\$ -	\$ -	\$ 7,034
Compensation for loss of capital assets	-	-	32,508	-	32,508
Capital lease proceeds	-	-	284,665	-	284,665
Interfund transfers in (note 3)	-	261,936	-	-	261,936
Interfund transfers out (note 3)	-	-	(261,936)	-	(261,936)
Total other financing sources (uses)	<u>7,034</u>	<u>261,936</u>	<u>55,237</u>	<u>-</u>	<u>324,207</u>
Net change in fund balances	(1,900)	(2,226)	1,385,906	450,377	1,832,157
Fund balances beginning of year	<u>4,307,685</u>	<u>57,112</u>	<u>3,424,125</u>	<u>815,374</u>	<u>8,604,296</u>
Fund balances end of year	<u>\$ 4,305,785</u>	<u>\$ 54,886</u>	<u>\$ 4,810,031</u>	<u>\$ 1,265,751</u>	<u>\$ 10,436,453</u>

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Net change in fund balances - total governmental funds \$ 1,832,157

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

The Statement of Activities is adjusted for the increase in net position of the Internal Service Fund, which represents an overcharge to the governmental funds. 26,391

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

	Expenditures for capital assets	\$ 394,320	
	Depreciation expense	<u>(932,947)</u>	(538,627)

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is deferred in the governmental funds. It is, however, recorded as revenue in the Statement of Activities. (263,283)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. (284,665)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 890,848

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 1,971

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	110,279	
	Compensated absences	3,240	
	Net OPEB liability	<u>(28,000)</u>	<u>85,519</u>

Change in net position of governmental activities \$ 1,750,311

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2013

	<u>School Nutrition</u>	<u>Internal Service</u>
Assets		
Cash and cash equivalents	\$ 61,534	\$ 256,775
Due from other governments	13,255	-
Inventories	11,869	-
Capital assets, net of accumulated depreciation (note 4)	112,391	-
Total current assets	<u>199,049</u>	<u>256,775</u>
Liabilities		
Accounts payable	2,619	-
Salaries and benefits payable	45,370	-
Deferred revenue	8,104	-
Net OPEB liability (notes 5 & 6)	3,328	-
Total current liabilities	<u>59,421</u>	<u>-</u>
Net Position		
Net investment in capital assets	112,391	-
Unrestricted	<u>27,237</u>	<u>256,775</u>
Total net position	<u>\$ 139,628</u>	<u>\$ 256,775</u>

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2013

	<u>Enterprise School Nutrition</u>	<u>Internal Service</u>
Operating revenues:		
Local sources:		
Charges for services	\$ 418,766	\$ 128,737
Operating expenses:		
Support services:		
Purchased services	1,180	-
Supplies	3,711	-
Other	1,750	-
	<u>6,641</u>	<u>-</u>
Non-instructional programs:		
Salaries	359,380	-
Benefits	110,068	-
Purchased services	152	102,697
Supplies	367,656	-
Depreciation	17,535	-
	<u>854,791</u>	<u>102,697</u>
Total expenses	<u>861,432</u>	<u>102,697</u>
Operating income (loss)	(442,666)	26,040
Non-operating revenues:		
Capital contributions	11,875	-
Interest on investments	146	351
State sources	6,048	-
Federal sources	391,761	-
Total non-operating revenues	<u>409,830</u>	<u>351</u>
Change in net position	(32,836)	26,391
Net position beginning of year	<u>172,464</u>	<u>230,384</u>
Net position end of year	<u>\$ 139,628</u>	<u>\$ 256,775</u>

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2013

	<u>Enterprise</u>		<u>Internal</u>
	School		Service
	Nutrition		Service
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 408,875	\$	-
Cash received from miscellaneous operating activities	6,517		139,128
Cash payments to employees for services	(469,187)		-
Cash payments to suppliers for goods or services	(326,479)		(102,697)
Net cash provided by (used by) operating activities	<u>(380,274)</u>		<u>36,431</u>
Cash flows from non-capital financing activities:			
State grants received	6,048		-
Federal grants received	336,758		-
Net cash provided by non-capital financing activities	<u>342,806</u>		<u>-</u>
Cash flows from investing activities:			
Interest on investments	146		351
Net increase (decrease) in cash and cash equivalents	(37,322)		36,782
Cash and cash equivalents beginning of year	<u>98,856</u>		<u>219,993</u>
Cash and cash equivalents end of year	<u>\$ 61,534</u>	\$	<u>256,775</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2013

	<u>Enterprise</u> <u>School</u> <u>Nutrition</u>	<u>Internal</u> <u>Service</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:		
Operating income (loss)	\$ (442,666)	\$ 26,040
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Depreciation	17,535	-
Commodities used	49,568	-
Decrease in accounts receivable	70	10,391
(Increase) in inventories	(2,835)	-
Increase in accounts payable	1,237	-
Increase in salaries and benefits payable	261	-
(Decrease) in deferred revenue	(3,444)	-
Net cash provided by (used by) operating activities	<u>\$ (380,274)</u>	<u>\$ 36,431</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$49,568 of federal commodities. The District also received a capital contribution of equipment valued at \$11,875 from the Special Revenue, Physical Plant and Equipment Levy Fund during the year ended June 30, 2013.

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2013

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Assets:		
Cash and pooled investments	\$ <u>14,319</u>	
Liabilities:		
None	<u>-</u>	
Net position:		
Restricted for scholarships		\$ <u><u>14,319</u></u>

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 Year Ended June 30, 2013

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 1,739	
Interest	<u>8,026</u>	
Total additions	<u>9,765</u>	
Deductions:		
Support services:		
Scholarships awarded		<u>10,781</u>
Change in net position		(1,016)
Net position beginning of year		<u>15,335</u>
Net position end of year	\$	<u><u>14,319</u></u>
See notes to financial statements.		

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. 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 revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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

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

In addition, the District also reports the nonmajor Internal Service Fund, Partial Self-Funded Health Insurance to account for partial self-funding of District health insurance for employees.

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

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

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under 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 position 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 – committed, assigned and then unassigned fund balances.

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

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

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

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

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

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Asset Class	Amount
Land	\$ 5,000
Buildings	20,000
Improvements other than buildings	20,000
Intangibles	100,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

Asset Class	Estimated Useful Lives
Buildings	40 years
Improvements other than buildings	20 years
Furniture and equipment	4-15 years

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

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

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

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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 or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 2. Cash and Pooled Investments (continued)

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>6,679,851</u>

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

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAm by Standard & Poor’s Financial Services.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>261,936</u>

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

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 52,500	\$ -	\$ -	\$ 52,500
Capital assets being depreciated:				
Buildings	28,239,378	-	-	28,239,378
Improvements other than buildings	492,076	6,580	-	498,656
Furniture and equipment	1,980,042	387,740	-	2,367,782
Total capital assets being depreciated	<u>30,711,496</u>	<u>394,320</u>	<u>-</u>	<u>31,105,816</u>
Less accumulated depreciation for:				
Buildings	8,492,227	683,309	-	9,175,536
Improvements other than buildings	155,234	26,147	-	181,381
Furniture and equipment	1,189,041	223,491	-	1,412,532
Total accumulated depreciation	<u>9,836,502</u>	<u>932,947</u>	<u>-</u>	<u>10,769,449</u>
Total capital assets being depreciated, net	<u>20,874,994</u>	<u>(538,627)</u>	<u>-</u>	<u>20,336,367</u>
Governmental activities capital assets, net	<u>\$ 20,927,494</u>	<u>\$ (538,627)</u>	<u>\$ -</u>	<u>\$ 20,388,867</u>
Business-type activities:				
Furniture and equipment	\$ 284,560	\$ 11,875	\$ -	\$ 296,435
Less accumulated depreciation	<u>166,509</u>	<u>17,535</u>	<u>-</u>	<u>184,044</u>
Business-type activities capital assets, net	<u>\$ 118,051</u>	<u>\$ (5,660)</u>	<u>\$ -</u>	<u>\$ 112,391</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 32,421

Support services:

Administration 7,878

Operation and maintenance of plant 20,224

Transportation 128,741

189,264

Unallocated depreciation 743,683

Total depreciation expense - governmental activities \$ 932,947

Business-type activities:

Food service operations \$ 17,535

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 198,089	\$ -	\$ 110,279	\$ 87,810	\$ 87,810
General obligation bonds	4,575,000	-	650,000	3,925,000	675,000
Capital lease purchase	870,903	338,976	295,159	914,720	295,056
Compensated absences	9,503	6,263	9,503	6,263	6,263
Net OPEB liability	244,672	28,000	-	272,672	-
Total	\$ 5,898,167	\$ 373,239	\$ 1,064,941	\$ 5,206,465	\$ 1,064,129
	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business-type activities:					
Net OPEB liability	\$ 3,328	\$ -	\$ -	\$ 3,328	\$ -

Early Retirement

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

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

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

At June 30, 2013, the District had obligations to five participants with a total liability of \$87,810. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$110,279. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Long-Term Liabilities (continued)

General Obligation Bonds

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2014	2.000-2.125 %	\$ 675,000	\$ 108,250	\$ 783,250
2015	2.125	700,000	93,844	793,844
2016	2.250-2.500	700,000	78,750	778,750
2017	3.125	250,000	66,062	316,062
2018	3.125	250,000	58,250	308,250
2019	3.500	250,000	50,437	300,437
2020	3.500	250,000	41,688	291,688
2021	3.875	275,000	32,937	307,937
2022	3.875	275,000	22,281	297,281
2023	3.875	300,000	11,625	311,625
		<u>\$ 3,925,000</u>	<u>\$ 564,124</u>	<u>\$ 4,489,124</u>

Capital Lease Purchase Agreement

During the year ended June 30, 2012, the District entered into a capital lease for the acquisition of 840 computers and support equipment. The lease calls for semi-annual payments of \$130,968, has an annual percentage interest rate of 1.49%, and is payable through the year ended June 30, 2016.

During the year ended June 30, 2013, the District entered into a capital lease for the acquisition of four school buses. The lease calls for two annual payments of \$54,311 and one final payment of \$192,000, has an annual percentage interest rate of 2.25% and is payable through the year ended June 30, 2016.

Details of the District's capital lease purchase indebtedness are as follows:

Year Ending June 30,	Computers		Buses		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 247,150	\$ 14,785	\$ 47,906	\$ 6,405	\$ 295,056	\$ 21,190
2015	253,618	8,318	48,984	5,327	302,602	13,645
2016	<u>129,287</u>	<u>1,681</u>	<u>187,775</u>	<u>4,225</u>	<u>317,062</u>	<u>5,906</u>
Total	<u>\$ 630,055</u>	<u>\$ 24,784</u>	<u>\$ 284,665</u>	<u>\$ 15,957</u>	<u>\$ 914,720</u>	<u>\$ 40,741</u>

Equipment purchased under capital lease purchase agreements totals \$1,340,847.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 6. Other Postemployment Benefits (OPEB)

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 246 active and 12 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a partially-insured plan with Alliance Select, whereby the District covers the difference in deductible amounts for purchased plans with those paid by employees. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 75,000
Interest on net OPEB obligation	11,000
Adjustment to annual required contribution	<u>9,000</u>
Annual OPEB cost	77,000
Contributions made	<u>49,000</u>
Increase in net OPEB obligation	28,000
Net OPEB obligation beginning of year	<u>248,000</u>
Net OPEB obligation end of year	<u><u>\$ 276,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$49,000 to the medical plan.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 6. Other Postemployment Benefits (OPEB) (continued)

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 54,735	52.9%	\$ 222,000
2012	55,000	45.9%	248,000
2013	77,000	63.6%	276,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$661,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$661,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,163,000, and the ratio of the UAAL to covered payroll was 10.7%. As of June 30, 2013, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced .5% each year until reaching the 10% ultimate trend rate.

Mortality rates are from the RP2000 Health Annuity Mortality Table, projected to 2015 using scale AA, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2012 and applying the termination factors used in the IPERS Actuarial Valuation Report as of June 30, 2012.

Projected claim costs of the medical plan are \$709 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered payroll for the year ended June 30, 2013. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$906,750, \$823,468, and \$690,158, respectively, equal to the required contributions for each year.

Note 8. Risk Management

Partial Self-funded Health

The District has a partially self-funded health insurance program. The District funds the difference between the deductible on the plan chosen by the employee and the plan actually purchased by the District. This difference ranges between \$2,250 and \$5,000 per plan. Expenditures for the year totaled \$102,697 which is recorded in the nonmajor Internal Service Fund. The reserve for future casualty losses was \$256,775 at June 30, 2013.

Casualty/Worker's Compensation

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$696,729 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 10. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 113,322
Returning dropouts and dropout prevention programs	53,083
Professional development	36,505
Gifted and talented programs	28,196
Teacher salary supplement	4,238
Non-public textbooks	<u>2,737</u>
Total	<u>\$ 238,081</u>

Note 11. Contingency

The District is involved in ongoing litigation alleging that the District officials and faculty mistreated and bullied the plaintiff. The outcome of this case cannot be determined at this time and the District insurance carrier is affording coverage.

Required Supplementary Information

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year Ended June 30, 2013

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 11,139,035	\$ 430,787	\$ 11,569,822	\$ 11,559,283	\$ 10,539
State sources	9,434,183	6,048	9,440,231	9,535,900	(95,669)
Federal sources	407,505	391,761	799,266	800,000	(734)
Total revenues	20,980,723	828,596	21,809,319	21,895,183	(85,864)
EXPENDITURES/EXPENSES:					
Instruction	11,388,250	-	11,388,250	14,450,000	3,061,750
Support services	5,981,687	6,641	5,988,328	7,965,000	1,976,672
Non-instructional programs	-	854,791	854,791	1,200,000	345,209
Other expenditures	2,102,836	-	2,102,836	5,858,280	3,755,444
Total expenditures/expenses	19,472,773	861,432	20,334,205	29,473,280	9,139,075
Excess (deficiency) of revenues over (under) expenditures/ expenses	1,507,950	(32,836)	1,475,114	(7,578,097)	9,053,211
Other financing sources, net	324,207	-	324,207	-	324,207
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	1,832,157	(32,836)	1,799,321	(7,578,097)	9,377,418
Balance beginning of year	8,604,296	172,464	8,776,760	8,703,535	73,225
Balance end of year	<u>\$ 10,436,453</u>	<u>\$ 139,628</u>	<u>\$ 10,576,081</u>	<u>\$ 1,125,438</u>	<u>\$ 9,450,643</u>

See accompanying independent auditor's report.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2013

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a 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 or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2013, expenditures did not exceed the amounts budgeted.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2013

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	\$ 1,974	\$ 1,974	0.0%	\$ 10,005	19.7%
2010	July 1, 2008	-	1,974	1,974	0.0%	9,745	20.3%
2011	July 1, 2010	-	452	452	0.0%	10,132	4.5%
2012	July 1, 2010	-	452	452	0.0%	6,025	7.5%
2013	July 1, 2012	-	661	661	0.0%	6,163	10.7%

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.

Supplementary Information

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	Special Revenue		Total
	Management Levy	Student Activity	
Assets			
Cash and pooled investments	\$ 929,431	\$ 363,721	\$ 1,293,152
Receivables:			
Property tax:			
Current year	10,553	-	10,553
Succeeding year	144,998	-	144,998
Total assets	\$ 1,084,982	\$ 363,721	\$ 1,448,703
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 21,742	\$ 16,212	\$ 37,954
Deferred revenue:			
Succeeding year property tax	144,998	-	144,998
Total liabilities	166,740	16,212	182,952
Fund balances:			
Restricted for:			
Management levy purposes	918,242	-	918,242
Student activities	-	347,509	347,509
Total fund balances	918,242	347,509	1,265,751
Total liabilities and fund balances	\$ 1,084,982	\$ 363,721	\$ 1,448,703

See accompanying independent auditor's report.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	<u>Special Revenue</u>		<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	
Revenues:			
Local sources:			
Local tax	\$ 1,001,968	\$ -	\$ 1,001,968
Other	3,292	500,272	503,564
State sources	463	-	463
Total revenues	<u>1,005,723</u>	<u>500,272</u>	<u>1,505,995</u>
Expenditures:			
Current:			
Instruction	110,279	526,826	637,105
Support services:			
Administration	171,230	-	171,230
Operation and maintenance of plant	225,286	-	225,286
Transportation	21,997	-	21,997
Total expenditures	<u>528,792</u>	<u>526,826</u>	<u>1,055,618</u>
Excess (deficiency) of revenues over (under) expenditures	476,931	(26,554)	450,377
Fund balances beginning of year	<u>441,311</u>	<u>374,063</u>	<u>815,374</u>
Fund balances end of year	<u>\$ 918,242</u>	<u>\$ 347,509</u>	<u>\$ 1,265,751</u>

See accompanying independent auditor's report.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2013

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Assets				
Cash and pooled investments	\$ 3,861,286	\$ 548,928	\$ 112,526	\$ 4,522,740
Receivables:				
Property tax:				
Current year	-	9,338	-	9,338
Succeeding year	-	502,994	-	502,994
Accounts	-	7,302	-	7,302
Due from other governments	290,901	-	-	290,901
 Total assets	 \$ 4,152,187	\$ 1,068,562	\$ 112,526	\$ 5,333,275
 Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 20,250	\$ -	\$ -	\$ 20,250
Deferred revenue:				
Succeeding year property tax	-	502,994	-	502,994
Total liabilities	20,250	502,994	-	523,244
 Fund balances:				
Restricted for:				
Other capital projects	-	-	112,526	112,526
School infrastructure	4,131,937	-	-	4,131,937
Physical plant and equipment	-	565,568	-	565,568
Total fund balances	4,131,937	565,568	112,526	4,810,031
 Total liabilities and fund balances	 \$ 4,152,187	\$ 1,068,562	\$ 112,526	\$ 5,333,275

See accompanying independent auditor's report.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2013

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Revenues:				
Local sources:				
Local tax	\$ 1,368,175	\$ 770,358	\$ -	\$ 2,138,533
Other	4,893	937	184	6,014
State sources	-	242	-	242
Total revenues	<u>1,373,068</u>	<u>771,537</u>	<u>184</u>	<u>2,144,789</u>
Expenditures:				
Current:				
Instruction	-	21,670	-	21,670
Support services:				
Administration	-	42,137	-	42,137
Operation and maintenance of plant	-	39,916	-	39,916
Transportation	-	338,976	-	338,976
Facilities acquisition	126,774	244,647	-	371,421
Total expenditures	<u>126,774</u>	<u>687,346</u>	<u>-</u>	<u>814,120</u>
Excess of revenues over expenditures	1,246,294	84,191	184	1,330,669
Other financing sources (uses):				
Compensation for loss of capital assets	-	32,508	-	32,508
Capital lease proceeds	-	284,665	-	284,665
Intrafund transfers in*	-	200,000	-	200,000
Intrafund transfers out*	-	-	(200,000)	(200,000)
Interfund transfers out	-	(261,936)	-	(261,936)
Total other financing sources (uses)	<u>-</u>	<u>255,237</u>	<u>(200,000)</u>	<u>55,237</u>
Net change in fund balances	1,246,294	339,428	(199,816)	1,385,906
Fund balances beginning of year	<u>2,885,643</u>	<u>226,140</u>	<u>312,342</u>	<u>3,424,125</u>
Fund balances end of year	<u>\$ 4,131,937</u>	<u>\$ 565,568</u>	<u>\$ 112,526</u>	<u>\$ 4,810,031</u>

* = These amounts have been eliminated from the basic financial statements.

See accompanying independent auditor's report.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
District-Wide:				
Student Activities	\$ 21,280	\$ 566	\$ 7,630	\$ 14,216
Fine Arts	16,308	22,640	28,005	10,943
High School:				
Plays and Productions	6,044	6,737	8,002	4,779
Curtain Club	3,010	2,829	3,025	2,814
Speech	-	976	966	10
Vocal Music	1,929	2,519	2,662	1,786
Choir Robes	970	1,056	1,265	761
Band	3,614	4,588	6,698	1,504
Band Trip	1,819	-	-	1,819
Band Uniforms	-	3,670	2,640	1,030
SS Christmas Shares	120	-	-	120
Caps and Gowns	-	2,736	2,736	-
Coaches Club	1,235	-	1,129	106
Track Club	2,948	1,185	2,459	1,674
Cross Country	173	160	166	167
Weightlifting Club	5,638	11,308	8,940	8,006
Boys Basketball	7,275	489	5,490	2,274
Boys Golf	722	-	61	661
Boys Swimming	40	-	-	40
Girls Basketball	9,443	5,452	3,557	11,338
Girls Soccer	965	-	441	524
Softball	4,774	2,683	3,536	3,921
Girls Swimming	1,757	-	26	1,731
Partners	1,134	990	-	2,124
Art Club	4,128	700	1,519	3,309
Cheerleaders	1,462	8,135	7,872	1,725
Tiger's Den	6,475	329	62	6,742
Prom	5,305	3,668	4,256	4,717
F.C.C.L.A.	2,215	963	871	2,307
Football Club	4,664	6,077	3,934	6,807
Basic Training	8,781	7,372	8,123	8,030
Debate	44	4,004	3,798	250
FFA	18,713	34,740	37,340	16,113
Tiger Paws	11,972	8,176	8,434	11,714

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School (continued):				
A.I.A.S.A.	\$ 590	\$ -	\$ -	\$ 590
International Club	736	-	11	725
Model U.N.	283	920	1,107	96
National Honor Society	819	699	956	562
Spanish Club	1,699	-	-	1,699
Student Council	1,748	3,457	3,123	2,082
Snack Bar	3,982	1,085	6	5,061
Yearbook	(20,510)	26,535	20,627	(14,602)
Book Fair	1,209	1,099	899	1,409
Boys Soccer	614	-	612	2
Baseball Club	2,301	270	1,220	1,351
Boys Tennis Club	269	-	-	269
Wrestling Club	2,454	3,015	4,988	481
Volleyball Club	5,040	2,828	3,288	4,580
Girls Tennis Club	875	1,152	872	1,155
Girls Golf Club	-	532	532	-
Student Activities	539	7,098	7,502	135
Activity Support Fee	220	18,000	18,160	60
Gifts and Donations	681	355	-	1,036
High School Athletics	100,398	187,968	192,226	96,140
Middle School:				
Plays and Productions	1,621	126	451	1,296
Vocal Music	6,046	1,945	795	7,196
Band	4,946	4,663	2,639	6,970
Chess Club	762	-	-	762
Campout	4,993	2,846	2,830	5,009
Camp Grinnell	174	-	-	174
Science Club	3,804	-	-	3,804
Destination Imagination	4,389	-	-	4,389
Student Council	21,448	22,479	26,626	17,301
Book Fair	1,979	7,497	8,549	927
Student Activities	6,978	68	941	6,105
Activity Support Fee	1,925	8,170	7,816	2,279
Gifts and Donations	96	976	-	1,072
Middle School Athletics	23,222	28,270	35,132	16,360

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Bailey Park Elementary:				
Book Fair	\$ 3,952	\$ 3,951	\$ 3,713	\$ 4,190
Student Activities	2,605	901	80	3,426
Gifts and Donations	5,461	44	50	5,455
Davis Elementary:				
Book Fair	2,215	6,074	5,582	2,707
Student Activities	10,711	3,165	1,916	11,960
Gifts and Donations	111	161	272	-
Fairview Elementary:				
Book Fair	487	8,175	7,295	1,367
Student Activities	5,747	737	156	6,328
Gifts and Donations	1,487	263	211	1,539
 Total	 \$ <u>374,063</u>	 \$ <u>500,272</u>	 \$ <u>526,826</u>	 \$ <u>347,509</u>

See accompanying independent auditor's report.

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GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST NINE YEARS

	Modified Accrual Basis Years Ended June 30,			
	2013	2012	2011	2010
Revenues:				
Local sources:				
Local tax	\$ 9,960,193	\$ 9,775,565	\$ 9,238,335	\$ 8,898,254
Tuition	403,579	530,778	529,568	433,339
Other	775,263	1,028,228	1,295,840	1,243,877
Intermediate sources	-	-	-	-
State sources	9,434,183	9,117,564	8,979,241	7,491,052
Federal sources	407,505	687,296	885,849	1,572,519
Total revenues	\$ 20,980,723	\$ 21,139,431	\$ 20,928,833	\$ 19,639,041
Expenditures:				
Instruction	\$ 11,388,250	\$ 12,738,854	\$ 11,365,892	\$ 10,606,216
Support services:				
Student	486,692	499,907	460,917	435,580
Instructional staff	435,330	490,627	444,014	364,914
Administration	2,333,846	2,027,988	1,935,761	1,936,166
Operation and maintenance of plant	1,735,994	1,534,421	1,598,564	1,492,326
Transportation	989,825	716,839	1,030,475	619,047
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	371,421	550,544	810,750	628,958
Judgments paid	-	10,000	-	-
Long-term debt:				
Principal	890,848	790,968	645,000	8,195,000
Interest and fiscal charges	143,838	135,950	160,968	377,149
AEA flowthrough	696,729	692,997	759,218	731,573
Total expenditures	\$ 19,472,773	\$ 20,189,095	\$ 19,211,559	\$ 25,386,929

See accompanying independent auditor's report.

	2009	2008	2007	2006	2005
\$	8,511,361	\$ 8,402,622	\$ 7,701,812	\$ 7,318,522	\$ 7,390,222
	512,273	507,751	457,114	464,648	325,740
	1,216,618	508,898	2,294,202	3,122,680	961,617
	-	-	-	-	-
	8,462,266	8,410,860	7,968,921	7,332,526	7,284,851
	615,223	429,269	429,102	602,424	847,351
\$	<u>19,317,741</u>	<u>18,259,400</u>	<u>18,851,151</u>	<u>18,840,800</u>	<u>16,809,781</u>
\$	10,382,605	\$ 10,182,778	\$ 10,186,119	\$ 9,201,079	\$ 8,831,816
	394,964	365,780	361,383	382,760	393,872
	400,339	523,850	438,521	421,309	332,472
	2,117,635	2,185,781	1,933,147	1,829,346	1,498,438
	1,509,357	1,711,156	1,878,062	1,446,013	1,268,503
	556,651	682,836	711,329	525,710	489,462
	-	22,930	-	-	-
	308,549	286,234	3,477,011	5,621,478	3,885,846
	-	-	-	-	-
	2,045,000	2,530,000	1,080,000	895,000	795,000
	393,786	483,154	507,096	532,077	455,785
	612,811	588,211	557,625	515,676	513,154
\$	<u>18,721,697</u>	<u>19,562,710</u>	<u>21,130,293</u>	<u>21,370,448</u>	<u>18,464,348</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 13	\$ 64,621
National School Lunch Program	10.555	FY 13	310,099 *
Summer Food Service Program for Children	10.559	FY 13	17,041
			391,761
U. S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	2709-G-13	154,733
Title I Grants to Local Educational Agencies	84.010	SINA	19,080
			173,813
Improving Teacher Quality State Grants	84.367	FY 13	49,490
Grants for State Assessments and Related Activities	84.369	FY 13	11,492
Area Education Agency #267:			
Special Education - Grants to States	84.027	FY 13	92,835
Career and Technical Education - Basic Grants to States	84.048	FY 13	16,543
Total			\$ 735,934

* = Includes \$49,568 of non-cash awards.

Basis of Presentation –

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

See accompanying independent auditor's report.

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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
Grinnell-Newburg Community School District:

We have audited 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Grinnell-Newburg Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 27, 2013.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control over financial reporting we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-13 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grinnell-Newburg Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Grinnell-Newburg Community School District's Responses to Findings

Grinnell-Newburg Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Grinnell-Newburg Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Oskaloosa, Iowa
December 27, 2013

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM,
ON INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Grinnell-Newburg Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. Grinnell-Newburg Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Grinnell-Newburg Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Grinnell-Newburg Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Grinnell-Newburg Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Grinnell-Newburg Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of Grinnell-Newburg Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Grinnell-Newburg Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB

Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Grinnell-Newburg Community School District's internal control over compliance.

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

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

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

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Grinnell-Newburg Community School District as of and for the year ended June 30, 2013, and have issued our report dated December 27, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Oskaloosa, Iowa
December 27, 2013

Hunt + Associates, P.C.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 10.559 – Summer Food Service Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Grinnell-Newburg Community School District qualified as a low-risk auditee.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

II-A-13 Financial Reporting – During the audit, we identified material amounts of receivables not recorded in the District’s financial statements for statewide sales and use tax in the Capital Projects Fund. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables are identified and included in the District’s financial statements.

Response – We will double check these in the future to avoid missing any receivables. We will also make an upward adjustment on next year’s certified annual report for this item.

Conclusion – Response accepted.

II-B-13 Purchase Orders – We noted during our audit that the District currently uses purchase orders in the purchasing process. However, we noted that six out of forty purchase orders tested were completed after the product had been ordered or received and that purchase orders are not always submitted to the business office on a timely basis.

Recommendation – The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding encumbrance, which represents the amount as an obligation against the budget. When monitoring actual expenditures, it can be helpful to know the outstanding orders which will be subsequently paid. This allows the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District’s current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place and that purchase orders are timely submitted to the business office.

Response – The District will comply with this recommendation. We are currently working on educating all individuals involved as to the importance of the purchase order system.

Conclusion – Response accepted.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiency:

No matters were reported.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-13 Certified Budget – Expenditures for the year ended June 30, 2013, did not exceed the amounts budgeted.
- IV-B-13 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-13 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-13 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-13 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 ensure that the coverage is adequate for current operations.
- IV-F-13 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-13 Certified Enrollment – We noted an overclaim of 1 resident student in the basic enrollment data certified to the Department of Education.
- Recommendation – The District should contact the Department of Education and Department of Management regarding this error.
- Response – We will take the necessary actions regarding this error.
- Conclusion – Response accepted.
- IV-H-13 Supplementary Weighting – The District’s supplementary weighting certified to the Iowa Department of Education for October 1, 2012 was overstated by 2.459 due to courses that were related to the second trimester but were also funded as fall courses.
- Recommendation – The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.
- Response – We will contact the Iowa Department of Education and the Iowa Department of Management.
- Conclusion – Response accepted.
- IV-I-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- IV-J-13 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and, except as discussed in item II-A-13, we noted no significant deficiencies in the amounts reported.
- IV-K-13 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

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

IV-L-13 Statewide Sales and Services Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$	2,885,643
Revenues:			
Sales tax revenues	\$	1,368,175	
Interest		<u>4,893</u>	1,373,068
Expenditures/transfers out:			
School infrastructure construction			<u>126,774</u>
Ending balance		\$	<u><u>4,131,937</u></u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-M-13 Deficit Balances – The yearbook student activity account within the nonmajor Special Revenue, Student Activity Fund had a deficit balance of \$14,602 at June 30, 2013.

Recommendation – The District should continue to investigate alternatives to eliminate this deficit in the Activity Fund.

Response – The District is continuing to investigate alternatives to eliminate this deficit account within the Student Activity Fund at the end of the fiscal year.

Conclusion – Response accepted.