

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, 2014

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GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2013 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
(After September 2013 election)		
Jeff Smith	President	2017
Barbara Brown	Vice President	2017
Carol Wilhelm	Board Member	2015
Claire Moisan	Board Member	2015
Jeff Knobloch	Board Member	2015
Jonathan Nance	Board Member	2017
Kirsten Fisher	Board Member	2017
<u>School Officials</u>		
Todd Abrahamson	Superintendent	2016
Lisa Johnson	Board Treasurer/Board Secretary Business Manager	2014
Donald L. Schild	Attorney	2014
Gruhn Law Firm	Attorney	2014
Ahlers Law Firm	Attorney	2014

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

1201 HIGH AVENUE WEST  
OSKALOOSA, IA 52577  
641/672-2541  
FAX 641/672-2461  
317 EAST ROBINSON  
KNOXVILLE, IA 50138  
641/842-3184  
FAX 641/828-7404

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 Iowa, as of and for the year ended June 30, 2014 and the related notes to 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, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 11 of the Code of Iowa. 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, 2014, 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*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 54 through 56 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 nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures and 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 financial 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 19, 2014 on our consideration of Grinnell-Newburg Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Grinnell-Newburg Community School District's internal control over financial reporting and compliance.



Oskaloosa, Iowa  
December 19, 2014

## 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, 2014. Please read it in conjunction with the district's financial statements.

### Financial Highlights

- General Fund revenues increased from \$16,559,415 in FY13 to \$16,910,432 in FY14, while General Fund expenditures increased from \$16,568,349 in FY13 to \$16,849,963 in FY14. Revenues exceeded expenditures by \$60,469 in FY14. In FY13, expenditures exceeded revenues by \$8,934.

The General Fund balance at June 30, 2014 was \$4,393,167 or 26.1% of general fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

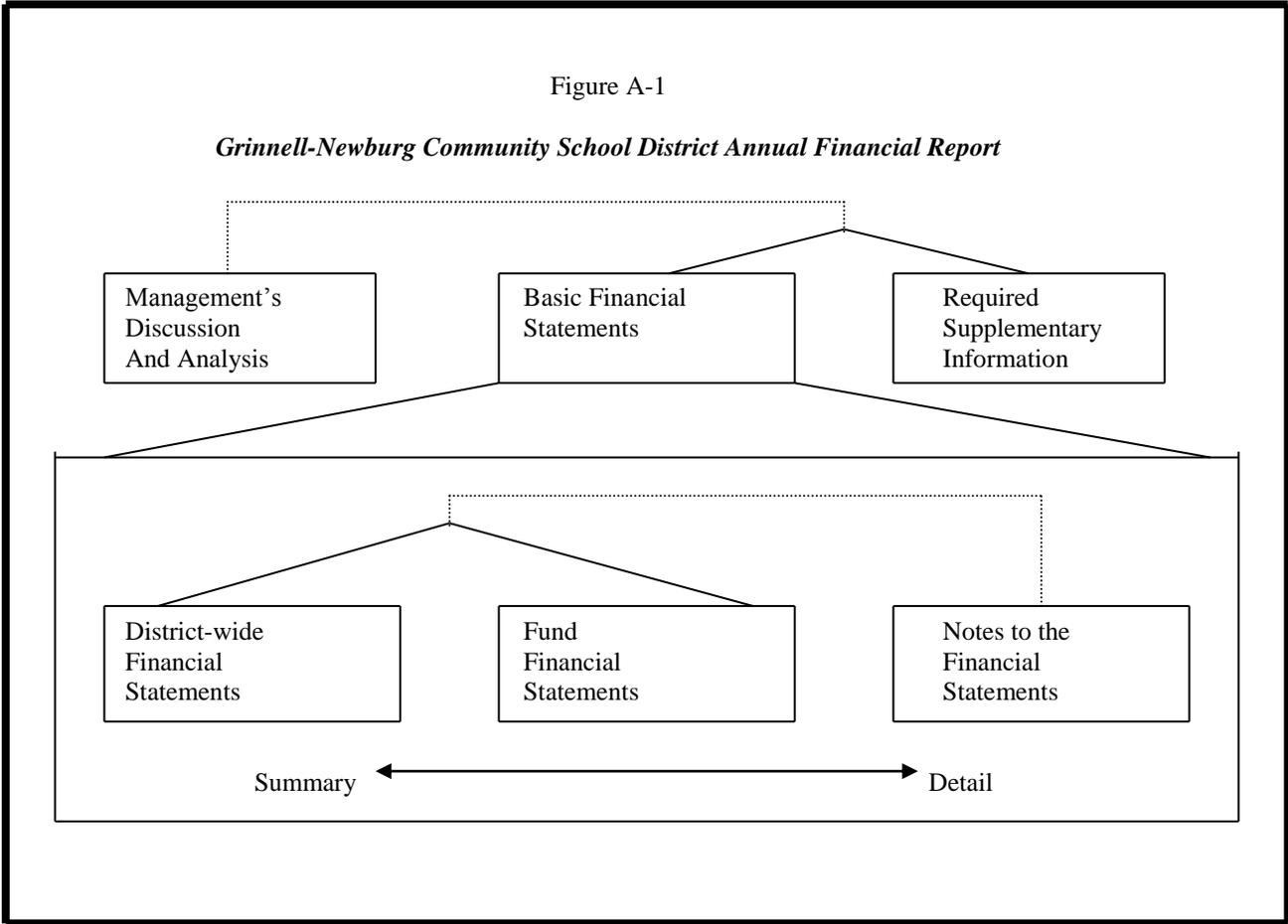


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents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

Figure A-2 <i>Major Features of the District-Wide and Fund Financial Statements</i>				
	District-wide Statements	Fund Statements		
		Governmental funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net 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 2013 and 2014 follows:

Figure A-3  
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total School District	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and other Assets	\$21,067,716	\$20,234,130	\$34,547	\$86,658	\$21,102,263	\$20,320,788
Capital assets	<u>20,438,956</u>	<u>20,388,867</u>	<u>98,876</u>	<u>112,391</u>	<u>20,537,832</u>	<u>20,501,258</u>
Total assets	41,506,672	40,622,997	133,423	199,049	41,640,095	40,822,046
Long-term obligations	4,306,336	5,206,465	3,328	3,328	4,309,664	5,209,793
Other obligations	<u>1,503,221</u>	<u>1,270,426</u>	<u>55,995</u>	<u>56,093</u>	<u>1,559,216</u>	<u>1,326,519</u>
Total liabilities	5,809,557	6,476,891	59,323	59,421	5,868,880	6,536,312
Deferred Inflows of Resources	<u>7,854,692</u>	<u>7,843,840</u>	=	=	<u>7,854,692</u>	<u>7,843,840</u>
Net position						
Net investment in capital assets	16,952,197	16,179,202	98,876	112,391	17,051,073	16,291,593
Restricted	6,511,435	5,696,788			6,511,435	5,696,788
Unrestricted	<u>4,378,791</u>	<u>4,426,276</u>	<u>(24,776)</u>	<u>27,237</u>	<u>4,354,015</u>	<u>4,453,513</u>
Total net position	<u>\$27,842,423</u>	<u>\$26,302,266</u>	<u>\$74,100</u>	<u>\$139,628</u>	<u>\$27,916,523</u>	<u>\$26,441,894</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, 2013 and 2014.

**Figure A-4**

**Changes in Net Position**

	Governmental Activities		Business-type Activities		Total School District	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for service & sales	\$ 1,108,015	\$ 1,045,633	\$ 405,010	\$ 418,766	\$ 1,513,025	\$ 1,464,399
Operating grants, contributions, and restricted interest	2,300,876	2,330,017	375,391	397,809	2,676,267	2,727,826
Capital grants, contributions and restricted interest	70,000	-	-	11,875	70,000	11,875
General revenues:						
Property tax:						
General purposes	5,969,891	6,519,931	-	-	5,969,891	6,519,931
Debt Service	1,361,634	770,524	-	-	1,361,634	770,524
PPEL	504,054	592,425	-	-	504,054	592,425
Local Option Sales and Services tax	1,466,170	1,368,174	-	-	1,466,170	1,368,174
Income Surtax	588,474	449,416	-	-	588,474	449,416
Unrestricted state grants	7,616,506	7,607,401	-	-	7,616,506	7,607,401
Unrestricted interest earnings	9,460	8,931	61	146	9,521	9,077
Other	<u>65,441</u>	<u>64,530</u>	<u>-</u>	<u>-</u>	<u>65,441</u>	<u>64,530</u>
Total revenues	\$21,060,521	\$20,756,982	\$ 780,462	\$ 828,596	\$21,840,983	\$21,585,578
Program expenses:						
Instruction	\$11,873,335	\$11,303,067	-	-	\$11,873,335	\$11,303,067
Support Services	5,760,112	5,766,454	9,105	6,641	5,769,217	5,773,095
Non-instructional programs	-	-	836,885	854,791	836,885	854,791
Other expenses	<u>1,886,917</u>	<u>1,937,150</u>	<u>-</u>	<u>-</u>	<u>1,886,917</u>	<u>1,937,150</u>
	\$19,520,364	\$19,006,671	\$845,990	\$861,432	\$20,366,354	\$19,868,103
Change in net position	\$1,540,157	\$1,750,311	(\$65,528)	(\$32,836)	\$ 1,474,629	\$ 1,717,475

The major sources of 2014 revenues for the District were property tax and unrestricted state grants, accounting for 71% of the 2014 revenues. Other revenue sources were charges for sales and services, 7%; operating grants, contributions, and unrestricted interest, 12%; sales and services tax, 7%; income surtax, 3%; and other sources, <1%.

The District's expenses primarily relate to instruction and support services, which accounted for 87% of the total expenses.

**Governmental Activities**

Governmental activities revenues for 2014 were \$21,060,521 and expenses were \$19,520,364 resulting in a net position increase of \$1,540,157.

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	
	2014	2013	2014	2013
Instruction	\$11,873,335	\$11,303,067	\$9,239,637	\$8,690,617
Support Services	5,760,112	5,766,454	5,696,750	5,732,491
Non-instructional programs				
Other expenses	<u>1,886,917</u>	<u>1,937,150</u>	<u>1,105,086</u>	<u>1,207,913</u>
Totals	\$19,520,364	\$19,006,671	\$16,041,473	\$15,631,021

- The cost financed by users of the District’s programs was \$1,108,015 in 2014, compared to \$1,045,633 in 2013.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,300,876 in 2014, compared to \$2,330,017 in 2013.
- The net cost of governmental activities was financed with \$9,890,223 of property and other taxes, \$7,616,506 unrestricted state funds, \$9,460 in unrestricted investment earnings, and \$65,441 in other revenues.

**Business-Type Activities**

Revenues of the District’s business-type activities were \$780,462 and expenses were \$845,990. 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 2014, its governmental funds reported combined fund balances of \$10,911,400.

**Governmental Fund Highlights**

The General Fund balance increased by \$87,382 in 2014. This follows a decrease of fund balance of \$1,900 from the previous year. The Capital Projects Fund balance increased by \$200,095 from the previous year. The Debt Service Fund balance increased \$588,058 from the previous year. The excess balance in Debt Service will be used in FY15 to prepay bond expense. Nonmajor Governmental Funds balances decreased \$400,588 from the previous year.

## **Proprietary Fund Highlights**

The School Nutrition fund net position decreased from \$139,628 in 2013 to \$74,100 in 2014. The decrease was attributed to decreased participation after new regulations were in place and higher food costs.

## **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 \$259,822 more than the total projected certified budget revenues.

Total expenditures/expenses were \$9,799,372 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, 2014 the District had invested \$20,438,956 net of accumulated depreciation of \$11,565,479 in a broad range of governmental capital assets, including land, buildings and building improvements, ground improvements, vehicles, and furniture. Business-type activities had invested \$98,876 net of accumulated depreciation of \$201,629 in capital assets. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$991,552 for governmental activities, and \$17,585 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.

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**Figure A-6**

	Capital Assets, net of Depreciation		
	Governmental Activities	Business-type Activities	Total School District
Land	\$ 592,500	\$ -	\$ 592,500
Construction in progress	363,997		363,997
Buildings	18,381,342	-	18,381,342
Improvements, other than buildings	365,378	-	365,378
Furniture and equipment	<u>735,739</u>	<u>98,876</u>	<u>834,615</u>
Total	<u>\$20,438,956</u>	<u>\$98,876</u>	<u>\$20,537,832</u>

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### **Long-Term Liabilities**

At June 30, 2014 the District had long-term liabilities totaling \$4,306,336 of which \$135,000 was for early retirement benefits and \$3,250,000 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 2014-15 was 1,604, a decrease of 21 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 4<sup>th</sup> Avenue, Grinnell, Iowa 50112.

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## Basic Financial Statements

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 12,093,692	\$ 18,002	\$ 12,111,694
Receivables:			
Property tax:			
Current year	64,123	-	64,123
Succeeding year	7,854,692	-	7,854,692
Income surtax	534,556	-	534,556
Accounts	190,655	-	190,655
Due from other governments	329,998	4,676	334,674
Inventories	-	11,869	11,869
Capital assets, net of accumulated depreciation (note 4)	20,438,956	98,876	20,537,832
<b>Total assets</b>	<b>41,506,672</b>	<b>133,423</b>	<b>41,640,095</b>
<b>Liabilities</b>			
Accounts payable	479,932	968	480,900
Salaries and benefits payable	948,170	44,840	993,010
Advances from grantors	57,130	-	57,130
Unearned revenue	-	10,187	10,187
Accrued interest payable	17,989	-	17,989
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	45,000	-	45,000
Bonds payable	700,000	-	700,000
Capital lease purchases	302,602	-	302,602
Portion due after one year:			
Early retirement	90,000	-	90,000
Bonds payable	2,550,000	-	2,550,000
Capital lease purchases	317,062	-	317,062
Net OPEB liability	301,672	3,328	305,000
<b>Total liabilities</b>	<b>5,809,557</b>	<b>59,323</b>	<b>5,868,880</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	7,854,692	-	7,854,692

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	\$ 16,952,197	\$ 98,876	\$ 17,051,073
Restricted for:			
Categorical funding	440,003	-	440,003
Debt service	626,684	-	626,684
Capital projects	4,625,697	-	4,625,697
Physical plant and equipment levy purposes	88,888	-	88,888
Management levy purposes	390,304	-	390,304
Student activities	339,859	-	339,859
Unrestricted	4,378,791	(24,776)	4,354,015
	<u>\$ 27,842,423</u>	<u>\$ 74,100</u>	<u>\$ 27,916,523</u>

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction :				
Regular instruction	\$ 7,401,339	\$ 430,729	\$ 1,186,492	\$ -
Special instruction	2,321,401	268,664	277,297	-
Other instruction	2,150,595	383,873	86,643	-
	<u>11,873,335</u>	<u>1,083,266</u>	<u>1,550,432</u>	<u>-</u>
Support services:				
Student	558,047	-	-	-
Instructional staff	362,313	-	34,927	-
Administration	2,208,383	-	-	-
Operation and maintenance of plant	1,809,027	10,503	-	-
Transportation	822,342	14,246	3,686	-
	<u>5,760,112</u>	<u>24,749</u>	<u>38,613</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	301,566	-	-	70,000
Long-term debt interest and fiscal charges	128,813	-	-	-
AEA flowthrough	711,831	-	711,831	-
Depreciation (unallocated) *	744,707	-	-	-
	<u>1,886,917</u>	<u>-</u>	<u>711,831</u>	<u>70,000</u>
Total governmental activities	<u>19,520,364</u>	<u>1,108,015</u>	<u>2,300,876</u>	<u>70,000</u>

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (5,784,118)	\$ -	\$ (5,784,118)
(1,775,440)	-	(1,775,440)
(1,680,079)	-	(1,680,079)
<u>(9,239,637)</u>	<u>-</u>	<u>(9,239,637)</u>
(558,047)	-	(558,047)
(327,386)	-	(327,386)
(2,208,383)	-	(2,208,383)
(1,798,524)	-	(1,798,524)
(804,410)	-	(804,410)
<u>(5,696,750)</u>	<u>-</u>	<u>(5,696,750)</u>
(231,566)	-	(231,566)
(128,813)	-	(128,813)
-	-	-
(744,707)	-	(744,707)
<u>(1,105,086)</u>	<u>-</u>	<u>(1,105,086)</u>
<u>(16,041,473)</u>	<u>-</u>	<u>(16,041,473)</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Business-Type Activities:</b>				
Support services:				
Food service operations	\$ 9,105	\$ -	\$ -	\$ -
Non-instructional programs:				
Food service operations	836,885	405,010	375,391	-
Total business-type activities	845,990	405,010	375,391	-
Total	\$ 20,366,354	\$ 1,513,025	\$ 2,676,267	\$ 70,000

General revenues:

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

Governmental Activities	Business-Type Activities	Total
\$ -	\$ (9,105)	\$ (9,105)
-	(56,484)	(56,484)
-	(65,589)	(65,589)
(16,041,473)	(65,589)	(16,107,062)
\$ 5,969,891	\$ -	\$ 5,969,891
1,361,634	-	1,361,634
504,054	-	504,054
588,474	-	588,474
1,466,170	-	1,466,170
7,616,506	-	7,616,506
9,460	61	9,521
65,441	-	65,441
17,581,630	61	17,581,691
1,540,157	(65,528)	1,474,629
26,302,266	139,628	26,441,894
\$ 27,842,423	\$ 74,100	\$ 27,916,523

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 5,573,739	\$ 629,939	\$ 4,729,036	\$ 879,142	\$ 11,811,856
Receivables:					
Property tax:					
Current year	44,897	13,005	4,760	1,461	64,123
Succeeding year	5,356,220	1,319,344	496,130	682,998	7,854,692
Income surtax	445,463	-	89,093	-	534,556
Accounts	190,655	-	-	-	190,655
Due from other governments	-	-	329,998	-	329,998
 Total assets	 <u>\$ 11,610,974</u>	 <u>\$ 1,962,288</u>	 <u>\$ 5,649,017</u>	 <u>\$ 1,563,601</u>	 <u>\$ 20,785,880</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014

	General	Debt Service	Capital Projects	Nonmajor	Total
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 410,824	\$ -	\$ 53,668	\$ 15,440	\$ 479,932
Salaries and benefits payable	948,170	-	-	-	948,170
Advances from grantors	57,130	-	-	-	57,130
Total liabilities	<u>1,416,124</u>	<u>-</u>	<u>53,668</u>	<u>15,440</u>	<u>1,485,232</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	5,356,220	1,319,344	496,130	682,998	7,854,692
Other	445,463	-	89,093	-	534,556
Total deferred inflows of resources	<u>5,801,683</u>	<u>1,319,344</u>	<u>585,223</u>	<u>682,998</u>	<u>8,389,248</u>
Fund balances:					
Restricted for:					
Categorical funding (note 10)	440,003	-	-	-	440,003
Debt service	-	642,944	-	-	642,944
Other capital projects	-	-	82,754	-	82,754
School infrastructure	-	-	4,542,943	-	4,542,943
Physical plant and equipment	-	-	384,429	-	384,429
Management levy purposes	-	-	-	525,304	525,304
Student activities	-	-	-	339,859	339,859
Unassigned	3,953,164	-	-	-	3,953,164
Total fund balances	<u>4,393,167</u>	<u>642,944</u>	<u>5,010,126</u>	<u>865,163</u>	<u>10,911,400</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,610,974</u>	<u>\$ 1,962,288</u>	<u>\$ 5,649,017</u>	<u>\$ 1,563,601</u>	<u>\$ 20,785,880</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, 2014

Total fund balances of governmental funds	\$ 10,911,400
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.	281,836
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	20,438,956
Other long-term assets, including income surtax receivable, are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	534,556
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(17,989)
Long-term liabilities, including early retirement, bonds payable, capital lease purchase agreements, and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(4,306,336)</u>
Net position of governmental activities	<u><u>\$ 27,842,423</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, 2014

	General	Debt Service	Capital Projects	Nonmajor	Total
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 6,323,713	\$ 1,361,090	\$ 503,853	\$ 145,191	\$ 8,333,847
Tuition	445,127	-	-	-	445,127
Other	141,187	-	83,020	476,238	700,445
State sources	9,494,560	545	1,466,371	65	10,961,541
Federal sources	505,845	-	-	-	505,845
Total revenues	<u>16,910,432</u>	<u>1,361,635</u>	<u>2,053,244</u>	<u>621,494</u>	<u>20,946,805</u>
<b>Expenditures:</b>					
Current:					
Instruction	<u>11,146,153</u>	<u>-</u>	<u>46,082</u>	<u>594,291</u>	<u>11,786,526</u>
Support services:					
Student	557,920	-	-	-	557,920
Instructional staff	362,230	-	-	-	362,230
Administration	2,005,537	-	54,098	146,384	2,206,019
Operation and maintenance of plant	1,477,513	-	55,019	258,508	1,791,040
Transportation	588,779	-	26,323	22,899	638,001
	<u>4,991,979</u>	<u>-</u>	<u>135,440</u>	<u>427,791</u>	<u>5,555,210</u>
Other expenditures:					
Facilities acquisition	-	-	1,343,207	-	1,343,207
Long term debt:					
Principal	-	970,056	-	-	970,056
Interest and fiscal charges	-	131,941	-	-	131,941
AEA flowthrough	711,831	-	-	-	711,831
	<u>711,831</u>	<u>1,101,997</u>	<u>1,343,207</u>	<u>-</u>	<u>3,157,035</u>
Total expenditures	<u>16,849,963</u>	<u>1,101,997</u>	<u>1,524,729</u>	<u>1,022,082</u>	<u>20,498,771</u>
Excess (deficiency) of revenues over (under) expenditures	<u>60,469</u>	<u>259,638</u>	<u>528,515</u>	<u>(400,588)</u>	<u>448,034</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2014

	General	Debt Service	Capital Projects	Nonmajor	Total
Other financing sources (uses):					
Compensation for loss of capital assets	\$ 26,913	\$ -	\$ -	\$ -	\$ 26,913
Interfund transfers in (note 3)	-	328,420	-	-	328,420
Interfund transfers out (note 3)	-	-	(328,420)	-	(328,420)
Total other financing sources (uses)	<u>26,913</u>	<u>328,420</u>	<u>(328,420)</u>	<u>-</u>	<u>26,913</u>
Net change in fund balances	87,382	588,058	200,095	(400,588)	474,947
Fund balances beginning 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>
Fund balances end of year	<u>\$ 4,393,167</u>	<u>\$ 642,944</u>	<u>\$ 5,010,126</u>	<u>\$ 865,163</u>	<u>\$ 10,911,400</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, 2014

Net change in fund balances - total governmental funds \$ 474,947

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. 25,061

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 Activities 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 current year are as follows:

	Capital outlays	\$ 1,041,641	
	Depreciation expense	<u>(991,552)</u>	50,089

Income surtax revenue not received until several months after the District's  
fiscal year end is not considered available revenue and is recognized as  
deferred inflows of resources in the governmental funds. 86,803

Repayment of long-term liabilities is an expenditure in the governmental  
funds, but it reduces long-term liabilities in the Statement of Net Position. 970,056

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 governmental funds when due. In the Statement of  
Activities, however, interest expense is recognized as the interest accrues,  
regardless of when it is due. 3,128

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	(47,190)	
	Compensated absences	6,263	
	Net OPEB liability	<u>(29,000)</u>	<u>(69,927)</u>

Change in net position of governmental activities \$ 1,540,157

See notes to financial statements.

## GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION  
PROPRIETARY FUNDS

June 30, 2014

	<u>Enterprise</u>		<u>Internal</u>
	School		Service
	Nutrition		
Assets			
Cash and cash equivalents	\$ 18,002	\$	281,836
Due from other governments	4,676		-
Inventories	11,869		-
Capital assets, net of accumulated depreciation (note 4)	98,876		-
Total current assets	<u>133,423</u>		<u>281,836</u>
Liabilities			
Accounts payable	968		-
Salaries and benefits payable	44,840		-
Unearned revenue	10,187		-
Net OPEB liability (notes 5 & 6)	3,328		-
Total current liabilities	<u>59,323</u>		<u>-</u>
Fund Net Position			
Net investment in capital assets	98,876		-
Unrestricted	<u>(24,776)</u>		<u>281,836</u>
Total fund net position	<u>\$ 74,100</u>	\$	<u>281,836</u>

See notes to financial statements.

## GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
Year Ended June 30, 2014

	<u>Enterprise School Nutrition</u>	<u>Internal Service</u>
Operating revenues:		
Local sources:		
Charges for services	\$ 405,010	\$ 123,088
Operating expenses:		
Support services:		
Purchased services	1,626	-
Supplies	2,088	-
Other	5,391	-
	<u>9,105</u>	<u>-</u>
Non-instructional programs:		
Salaries	339,432	-
Benefits	115,706	-
Purchased services	52	98,412
Supplies	364,110	-
Depreciation	17,585	-
	<u>836,885</u>	<u>98,412</u>
Total expenses	<u>845,990</u>	<u>98,412</u>
Operating income (loss)	(440,980)	24,676
Non-operating revenues:		
Interest on investments	61	385
State sources	5,915	-
Federal sources	369,476	-
Total non-operating revenues	<u>375,452</u>	<u>385</u>
Change in fund net position	(65,528)	25,061
Fund net position beginning of year	<u>139,628</u>	<u>256,775</u>
Fund net position end of year	<u>\$ 74,100</u>	<u>\$ 281,836</u>

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2014

	<u>Enterprise</u>		<u>Internal</u>
	School		Service
	Nutrition		Service
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 401,437	\$	-
Cash received from miscellaneous operating activities	5,656		123,088
Cash payments to employees for services	(455,668)		-
Cash payments to suppliers for goods or services	(335,157)		(98,412)
Net cash provided by (used by) operating activities	<u>(383,732)</u>		<u>24,676</u>
Cash flows from non-capital financing activities:			
State grants received	5,915		-
Federal grants received	338,294		-
Net cash provided by non-capital financing activities	<u>344,209</u>		<u>-</u>
Cash flows from capital and related financing activities:			
Purchase of equipment	(4,070)		-
Cash flows from investing activities:			
Interest on investments	61		385
Net increase (decrease) in cash and cash equivalents	(43,532)		25,061
Cash and cash equivalents beginning of year	<u>61,534</u>		<u>256,775</u>
Cash and cash equivalents end of year	<u>\$ 18,002</u>	\$	<u>281,836</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2014

	<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)	\$ (440,980)	\$ 24,676
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Depreciation	17,585	-
Commodities used	39,761	-
(Decrease) in accounts payable	(1,651)	-
(Decrease) in salaries and benefits payable	(530)	-
Increase in unearned revenue	2,083	-
Net cash provided by (used by) operating activities	<u>\$ (383,732)</u>	<u>\$ 24,676</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$39,761 of federal commodities.

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

June 30, 2014

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>12,051</u>
Fiduciary Net Position:	
Restricted for scholarships	\$ <u><u>12,051</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, 2014

		<u>Private Purpose Trust</u>
		<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$	4,500
Interest		<u>19</u>
Total additions		<u>4,519</u>
Deductions:		
Instruction		
Scholarships awarded		<u>6,787</u>
Change in fiduciary net position		(2,268)
Fiduciary net position beginning of year		<u>14,319</u>
Fiduciary net position end of year	\$	<u><u>12,051</u></u>
See notes to financial statements.		

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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 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, deferred outflows of resources, liabilities, and deferred inflows of resources, 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.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints 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 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 government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the main 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:

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

C. Measurement Focus and Basis of Accounting

The government-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 District 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, in that order.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise 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.

D. Assets, Liabilities, Deferred Inflows of Resources 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 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 receivable is recognized in the governmental 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 government-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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

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.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

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

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Purchased capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair 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 one year.

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.

Advances from grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year have been accrued as liabilities.

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

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

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 government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The District had no liability for compensated absences at June 30, 2014.

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

Deferred inflows of resources in the Statement of Net Position consist of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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 Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures/expenses did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2014 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 ensure there will be no loss of public funds.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 2. Cash and Pooled Investments (continued)

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

At June 30, 2014, the District had the following investments:

		<u>Amortized Cost</u>
U.S. Treasury Notes	\$	575,000
Iowa Schools Joint Investment Trust Diversified Portfolio		<u>6,436,479</u>
	\$	<u><u>7,011,479</u></u>

The investment in the Iowa Schools Joint Investment Trust is valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the U.S. Treasury notes are valued at fair value.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor’s Financial Services. The investment in the U.S. Treasury notes is not subject to investment rating.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Debt Service	Capital Projects	\$ <u><u>328,420</u></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, 2014

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 52,500	\$ 540,000	\$ -	\$ 592,500
Construction in progress	-	363,997	-	363,997
Total capital assets not being depreciated	<u>52,500</u>	<u>903,997</u>	<u>-</u>	<u>956,497</u>
Capital assets being depreciated:				
Buildings	28,239,378	-	-	28,239,378
Improvements other than buildings	498,656	77,737	-	576,393
Furniture and equipment	2,367,782	59,907	195,522	2,232,167
Total capital assets being depreciated	<u>31,105,816</u>	<u>137,644</u>	<u>195,522</u>	<u>31,047,938</u>
Less accumulated depreciation for:				
Buildings	9,175,536	682,500	-	9,858,036
Improvements other than buildings	181,381	29,634	-	211,015
Furniture and equipment	1,412,532	279,418	195,522	1,496,428
Total accumulated depreciation	<u>10,769,449</u>	<u>991,552</u>	<u>195,522</u>	<u>11,565,479</u>
Total capital assets being depreciated, net	<u>20,336,367</u>	<u>(853,908)</u>	<u>-</u>	<u>19,482,459</u>
Governmental activities capital assets, net	<u>\$ 20,388,867</u>	<u>\$ 50,089</u>	<u>\$ -</u>	<u>\$ 20,438,956</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business-type activities:</b>				
Furniture and equipment	\$ 296,435	\$ 4,070	\$ -	\$ 300,505
Less accumulated depreciation	184,044	17,585	-	201,629
Business-type activities capital assets, net	<u>\$ 112,391</u>	<u>\$ (13,515)</u>	<u>\$ -</u>	<u>\$ 98,876</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 36,948

Support services:

Administration 8,126

Operation and maintenance of plant 17,575

Transportation 184,196

246,845

Unallocated depreciation 744,707

Total depreciation expense - governmental activities \$ 991,552

Business-type activities:

Food service operations \$ 17,585

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 87,810	\$ 180,000	\$ 132,810	\$ 135,000	\$ 45,000
General obligation bonds	3,925,000	-	675,000	3,250,000	700,000
Capital lease purchases	914,720	-	295,056	619,664	302,602
Compensated absences	6,263	-	6,263	-	-
Net OPEB liability	272,672	29,000	-	301,672	-
<b>Total</b>	<b>\$ 5,206,465</b>	<b>\$ 209,000</b>	<b>\$ 1,109,129</b>	<b>\$ 4,306,336</b>	<b>\$ 1,047,602</b>
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, 2014, the District had obligations to six participants with a total liability of \$135,000. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$132,810. 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, 2014

Note 5. Long-Term Liabilities (continued)

General Obligation Bonds

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
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>\$ 3,250,000</u>	<u>\$ 455,874</u>	<u>\$ 3,705,874</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 June 30, 2014 capital lease purchase indebtedness are as follows:

Year Ending June 30,	Computers		Buses		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 253,618	\$ 8,318	\$ 48,984	\$ 5,327	\$ 302,602	\$ 13,645
2016	129,287	1,681	187,775	4,225	317,062	5,906
	<u>\$ 382,905</u>	<u>\$ 9,999</u>	<u>\$ 236,759</u>	<u>\$ 9,552</u>	<u>\$ 619,664</u>	<u>\$ 19,551</u>

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

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, 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, 2014, 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	12,000
Adjustment to annual required contribution	<u>9,000</u>
Annual OPEB cost	78,000
Contributions made	<u>49,000</u>
Increase in net OPEB obligation	29,000
Net OPEB obligation beginning of year	<u>276,000</u>
Net OPEB obligation end of year	<u><u>\$ 305,000</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, 2014.

For the year ended June 30, 2014, the District contributed \$49,000 to the medical plan.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 55,000	45.9%	\$ 248,000
2013	77,000	63.6%	276,000
2014	78,000	62.8%	305,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, 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 \$6,357,000, and the ratio of the UAAL to covered payroll was 10.4%. As of June 30, 2014, 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 5% ultimate trend rate.

Mortality rates are from the RP2000 Health Annuity Mortality Table projected to 2015 using scale AA, applied on a 2/3 female, 1/3 male basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Reports 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, 2014

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 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$957,524, \$906,750, and \$823,468, 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 \$98,412 which is recorded in the nonmajor Internal Service Fund. The reserve for future casualty losses was \$281,836 at June 30, 2014.

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 \$711,831 for the year ended June 30, 2014 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, 2014

Note 10. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2014 is comprised of the following programs:

Program	Amount
Returning dropouts and dropout prevention programs	\$ 155,146
Home school assistance program	122,322
Teacher salary supplement	72,931
Gifted and talented programs	30,657
Successful progression for early readers	21,574
Professional development for model core curriculum	16,940
Teacher leadership	11,196
Professional development	4,000
Non-public textbooks	3,359
Beginning teacher mentoring	1,878
Total	\$ 440,003

Note 11. Construction Commitments

The District has entered into a contract totaling \$346,000 for a building demolition. As of June 30, 2014, costs of \$318,844 had been incurred against the contract. The balance of \$27,156 remaining at June 30, 2014 will be paid as work on the project progresses.

Note 12. 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.

Note 13. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Note 14. Subsequent Events

On October 20, 2014, the District entered into a capital lease purchase agreement for the purchase of four buses with a total valuation of \$360,709. The lease calls for four annual payments of \$54,639, with an annual interest rate of 2.35%.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 14. Subsequent Events (continued)

On September 24, 2014, the District approved the purchase of real estate totaling \$387,000. The site will be used for a future building location.

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Required Supplementary Information

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year Ended June 30, 2014

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
<b>REVENUES:</b>					
Local sources	\$ 9,479,419	\$ 405,071	\$ 9,884,490	\$ 11,536,440	\$ (1,651,950)
State sources	10,961,541	5,915	10,967,456	9,161,005	1,806,451
Federal sources	505,845	369,476	875,321	770,000	105,321
<b>Total revenues</b>	<b>20,946,805</b>	<b>780,462</b>	<b>21,727,267</b>	<b>21,467,445</b>	<b>259,822</b>
<b>EXPENDITURES/EXPENSES:</b>					
Instruction	11,786,526	-	11,786,526	14,550,000	2,763,474
Support services	5,555,210	9,105	5,564,315	8,131,000	2,566,685
Non-instructional programs	-	836,885	836,885	1,100,000	263,115
Other expenditures	3,157,035	-	3,157,035	7,363,133	4,206,098
<b>Total expenditures/expenses</b>	<b>20,498,771</b>	<b>845,990</b>	<b>21,344,761</b>	<b>31,144,133</b>	<b>9,799,372</b>
Excess (deficiency) of revenues over (under) expenditures/ expenses	448,034	(65,528)	382,506	(9,676,688)	10,059,194
Other financing sources, net	26,913	-	26,913	220,000	(193,087)
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	474,947	(65,528)	409,419	(9,456,688)	9,866,107
Balance beginning of year	10,436,453	139,628	10,576,081	10,531,161	44,920
Balance end of year	<u>\$ 10,911,400</u>	<u>\$ 74,100</u>	<u>\$ 10,985,500</u>	<u>\$ 1,074,473</u>	<u>\$ 9,911,027</u>

See accompanying independent auditor's report.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
Year Ended June 30, 2014

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/expenses 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, 2014, expenditures/expenses 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, 2014

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%
2014	July 1, 2012	-	661	661	0.0%	6,357	10.4%

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, 2014

	<u>Special Revenue</u>		<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	
Assets			
Cash and pooled investments	\$ 523,843	\$ 355,299	\$ 879,142
Receivables:			
Property tax:			
Current year	1,461	-	1,461
Succeeding year	682,998	-	682,998
Total assets	<u>\$ 1,208,302</u>	<u>\$ 355,299</u>	<u>\$ 1,563,601</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 15,440	\$ 15,440
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	682,998	-	682,998
Fund balances:			
Management levy purposes	525,304	-	525,304
Student activities	-	339,859	339,859
Total fund balances	<u>525,304</u>	<u>339,859</u>	<u>865,163</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,208,302</u>	<u>\$ 355,299</u>	<u>\$ 1,563,601</u>

See accompanying independent auditor's report.

## GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2014

	Special Revenue		Total
	Management	Student	
	Levy	Activity	
Revenues:			
Local sources:			
Local tax	\$ 145,191	\$ -	\$ 145,191
Other	22,407	453,831	476,238
State sources	65	-	65
Total revenues	167,663	453,831	621,494
Expenditures:			
Current:			
Instruction	132,810	461,481	594,291
Support services:			
Administration	146,384	-	146,384
Operation and maintenance of plant	258,508	-	258,508
Transportation	22,899	-	22,899
Total expenditures	560,601	461,481	1,022,082
(Deficiency) of revenues under expenditures	(392,938)	(7,650)	(400,588)
Fund balances beginning of year	918,242	347,509	1,265,751
Fund balances end of year	\$ 525,304	\$ 339,859	\$ 865,163

See accompanying independent auditor's report.

## GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
CAPITAL PROJECTS ACCOUNTS  
June 30, 2014

	<u>Statewide Sales, Services and Use Tax</u>	<u>Physical Plant and Equipment Levy</u>	<u>Other Construction Projects</u>	<u>Total</u>
<b>Assets</b>				
Cash and pooled investments	\$ 4,255,519	\$ 390,763	\$ 82,754	\$ 4,729,036
Receivables:				
Property tax:				
Current year	-	4,760	-	4,760
Succeeding year	-	496,130	-	496,130
Income surtax	-	89,093	-	89,093
Due from other governments	<u>329,998</u>	<u>-</u>	<u>-</u>	<u>329,998</u>
 Total assets	 <u>\$ 4,585,517</u>	 <u>\$ 980,746</u>	 <u>\$ 82,754</u>	 <u>\$ 5,649,017</u>
 <b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	<u>\$ 42,574</u>	<u>\$ 11,094</u>	<u>\$ -</u>	<u>\$ 53,668</u>
 <b>Deferred inflows of resources:</b>				
Unavailable revenues:				
Succeeding year property tax	-	496,130	-	496,130
Other	-	89,093	-	89,093
	<u>-</u>	<u>585,223</u>	<u>-</u>	<u>585,223</u>
 <b>Fund balances:</b>				
Restricted for:				
Other capital projects	-	-	82,754	82,754
School infrastructure	4,542,943	-	-	4,542,943
Physical plant and equipment	-	384,429	-	384,429
Total fund balances	<u>4,542,943</u>	<u>384,429</u>	<u>82,754</u>	<u>5,010,126</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 4,585,517</u>	 <u>\$ 980,746</u>	 <u>\$ 82,754</u>	 <u>\$ 5,649,017</u>

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, 2014

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Revenues:				
Local sources:				
Local tax	\$ -	\$ 503,853	\$ -	\$ 503,853
Other	11,682	1,110	70,228	83,020
State sources	1,466,170	201	-	1,466,371
Total revenues	<u>1,477,852</u>	<u>505,164</u>	<u>70,228</u>	<u>2,053,244</u>
Expenditures:				
Current:				
Instruction	-	46,082	-	46,082
Support services:				
Administration	-	54,098	-	54,098
Operation and maintenance of plant	-	55,019	-	55,019
Transportation	-	26,323	-	26,323
Other expenditures:				
Facilities acquisition	1,066,846	276,361	-	1,343,207
Total expenditures	<u>1,066,846</u>	<u>457,883</u>	<u>-</u>	<u>1,524,729</u>
Excess of revenues over expenditures	411,006	47,281	70,228	528,515
Other financing sources (uses):				
Intrafund transfers in*	-	100,000	-	100,000
Intrafund transfers out*	-	-	(100,000)	(100,000)
Interfund transfers out	-	(328,420)	-	(328,420)
Total other financing sources (uses)	<u>-</u>	<u>(228,420)</u>	<u>(100,000)</u>	<u>(328,420)</u>
Net change in fund balances	411,006	(181,139)	(29,772)	200,095
Fund balances beginning of year	<u>4,131,937</u>	<u>565,568</u>	<u>112,526</u>	<u>4,810,031</u>
Fund balances end of year	<u>\$ 4,542,943</u>	<u>\$ 384,429</u>	<u>\$ 82,754</u>	<u>\$ 5,010,126</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, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
District-Wide:				
Student Activities	\$ 14,216	\$ 469	\$ 432	\$ 14,253
Fine Arts	10,943	24,388	33,324	2,007
High School:				
Plays and Productions	4,779	21,657	15,707	10,729
Curtain Club	2,814	4,772	6,498	1,088
Speech	10	1,682	1,692	-
Vocal Music	1,786	1,596	1,152	2,230
Choir Robes	761	1,065	-	1,826
Band	1,504	5,726	7,168	62
Band Trip	1,819	7,972	8,072	1,719
Band Uniforms	1,030	7,400	5,730	2,700
SS Christmas Shares	120	-	-	120
Caps and Gowns	-	1,045	1,045	-
Coaches Club	106	-	-	106
Track Club	1,674	370	286	1,758
Cross Country	167	160	-	327
Weightlifting Club	8,006	6,261	9,379	4,888
Boys Basketball	2,274	6,774	5,778	3,270
Boys Golf	661	-	193	468
Boys Swimming	40	-	-	40
Girls Basketball	11,338	5,190	2,826	13,702
Girls Soccer	524	-	192	332
Softball	3,921	1,172	563	4,530
Girls Swimming	1,731	-	-	1,731
Partners	2,124	1,180	3,304	-
Art Club	3,309	500	2,398	1,411
Cheerleaders	1,725	2,419	1,894	2,250
Tiger's Den	6,742	-	-	6,742
Prom	4,717	4,172	4,242	4,647
F.C.C.L.A.	2,307	1,518	2,187	1,638
Football Club	6,807	4,579	5,230	6,156
Basic Training	8,030	7,055	7,707	7,378
Debate	250	3,495	3,745	-
FFA	16,113	28,831	35,493	9,451
Tiger Paws	11,714	8,330	6,507	13,537

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School (continued):				
A.I.A.S.A.	\$ 590	\$ -	\$ -	\$ 590
International Club	725	-	-	725
Model U.N.	96	500	583	13
National Honor Society	562	500	941	121
Spanish Club	1,699	-	-	1,699
Student Council	2,082	3,401	4,532	951
Snack Bar	5,061	1,658	3,014	3,705
Yearbook	(14,602)	27,690	21,024	(7,936)
Book Fair	1,409	1,670	172	2,907
Boys Soccer	2	-	2	-
Baseball Club	1,351	2,455	109	3,697
Boys Tennis Club	269	50	-	319
Wrestling Club	481	1,150	468	1,163
Volleyball Club	4,580	4,605	4,736	4,449
Girls Tennis Club	1,155	-	-	1,155
Girls Golf Club	-	29	-	29
Student Activities	135	5,854	5,555	434
Activity Support Fee	60	16,020	16,015	65
Gifts and Donations	1,036	-	-	1,036
High School Athletics	96,140	136,415	140,417	92,138
Middle School:				
Plays and Productions	1,296	487	772	1,011
Vocal Music	7,196	2,060	4,289	4,967
Band	6,970	4,017	2,561	8,426
Chess Club	762	-	-	762
Campout	5,009	1,050	2,217	3,842
Camp Grinnell	174	-	-	174
Science Club	3,804	750	475	4,079
Destination Imagination	4,389	-	1,840	2,549
Student Council	17,301	20,725	24,527	13,499
Book Fair	927	7,116	6,601	1,442
Student Activities	6,105	1,155	4,876	2,384
Activity Support Fee	2,279	8,084	1,704	8,659
Gifts and Donations	1,072	131	-	1,203
Middle School Athletics	16,360	22,683	18,851	20,192

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Bailey Park Elementary:				
Book Fair	\$ 4,190	\$ 3,498	\$ 4,780	\$ 2,908
Student Activities	3,426	849	99	4,176
Gifts and Donations	5,455	2,149	-	7,604
Davis Elementary:				
Book Fair	2,707	6,815	7,204	2,318
Student Activities	11,960	2,294	2,582	11,672
Gifts and Donations	-	140	-	140
Fairview Elementary:				
Book Fair	1,367	7,606	7,350	1,623
Student Activities	6,328	447	441	6,334
Gifts and Donations	1,539	-	-	1,539
 Total	 \$ 347,509	 \$ 453,831	 \$ 461,481	 \$ 339,859

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 TEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2014	2013	2012	2011
Revenues:				
Local sources:				
Local tax	\$ 8,333,847	\$ 9,960,193	\$ 9,775,565	\$ 9,238,335
Tuition	445,127	403,579	530,778	529,568
Other	700,445	775,263	1,028,228	1,295,840
State sources	10,961,541	9,434,183	9,117,564	8,979,241
Federal sources	505,845	407,505	687,296	885,849
Total revenues	<u>\$ 20,946,805</u>	<u>\$ 20,980,723</u>	<u>\$ 21,139,431</u>	<u>\$ 20,928,833</u>
Expenditures:				
Instruction	\$ 11,786,526	\$ 11,388,250	\$ 12,738,854	\$ 11,365,892
Support services:				
Student	557,920	486,692	499,907	460,917
Instructional staff	362,230	435,330	490,627	444,014
Administration	2,206,019	2,333,846	2,027,988	1,935,761
Operation and maintenance of plant	1,791,040	1,735,994	1,534,421	1,598,564
Transportation	638,001	989,825	716,839	1,030,475
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	1,343,207	371,421	550,544	810,750
Judgments paid	-	-	10,000	-
Long-term debt:				
Principal	970,056	890,848	790,968	645,000
Interest and fiscal charges	131,941	143,838	135,950	160,968
AEA flowthrough	711,831	696,729	692,997	759,218
Total expenditures	<u>\$ 20,498,771</u>	<u>\$ 19,472,773</u>	<u>\$ 20,189,095</u>	<u>\$ 19,211,559</u>

See accompanying independent auditor's report.

	2010	2009	2008	2007	2006	2005
\$	8,898,254	\$ 8,511,361	\$ 8,402,622	\$ 7,701,812	\$ 7,318,522	\$ 7,390,222
	433,339	512,273	507,751	457,114	464,648	325,740
	1,243,877	1,216,618	508,898	2,294,202	3,122,680	961,617
	7,491,052	8,462,266	8,410,860	7,968,921	7,332,526	7,284,851
	1,572,519	615,223	429,269	429,102	602,424	847,351
\$	<u>19,639,041</u>	<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>
\$	10,606,216	\$ 10,382,605	\$ 10,182,778	\$ 10,186,119	\$ 9,201,079	\$ 8,831,816
	435,580	394,964	365,780	361,383	382,760	393,872
	364,914	400,339	523,850	438,521	421,309	332,472
	1,936,166	2,117,635	2,185,781	1,933,147	1,829,346	1,498,438
	1,492,326	1,509,357	1,711,156	1,878,062	1,446,013	1,268,503
	619,047	556,651	682,836	711,329	525,710	489,462
	-	-	22,930	-	-	-
	628,958	308,549	286,234	3,477,011	5,621,478	3,885,846
	-	-	-	-	-	-
	8,195,000	2,045,000	2,530,000	1,080,000	895,000	795,000
	377,149	393,786	483,154	507,096	532,077	455,785
	731,573	612,811	588,211	557,625	515,676	513,154
\$	<u>25,386,929</u>	<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, 2014

Grantor / Program	CFDA Number	Pass-Through Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	2709-14	\$ 63,204
National School Lunch Program	10.555	2709-14	301,850 *
Summer Food Service Program for Children	10.559	2709-14	4,422
			369,476
U. S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	2709-G-13	6,581
Title I Grants to Local Educational Agencies	84.010	2709-G-14	108,613
Title I Grants to Local Educational Agencies	84.010	2709-SINA-14	33,684
Title I Grants to Local Educational Agencies	84.010	2709-GC-14	41,272
			190,150
Improving Teacher Quality State Grants	84.367	2709-14	46,716 **
Grants for State Assessments and Related Activities	84.369	2709-14	9,333
Area Education Agency #267:			
Special Education - Grants to States	84.027	2709-14	80,573
Improving Teacher Quality State Grants	84.367	2709-14	445 **
Career and Technical Education - Basic Grants to States	84.048	2709-14	17,154
U. S. Department of Health and Human Services:			
Iowa Department of Education:			
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	2709-14	255
Total			\$ 714,102

\* = Includes \$39,761 of non-cash awards.

\*\* = Total expenditures for CFDA 84.367 = \$47,161

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2014

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.

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

1201 HIGH AVENUE WEST  
OSKALOOSA, IA 52577  
641/672-2541  
FAX 641/672-2461  
  
317 EAST ROBINSON  
KNOXVILLE, IA 50138  
641/842-3184  
FAX 641/828-7404

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE 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, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa, 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, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 19, 2014.

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-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-14 and II-C-14 to be significant deficiencies.

### Compliance

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, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance 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, 2014 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 report 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.

*Hunt & Associates, P.C.*

Oskaloosa, Iowa  
December 19, 2014

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

1201 HIGH AVENUE WEST  
OSKALOOSA, IA 52577  
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FAX 641/672-2461  
317 EAST ROBINSON  
KNOXVILLE, IA 50138  
641/842-3184  
FAX 641/828-7404

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE 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, 2014. 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, 2014.

Report on Internal Control Over Compliance

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 does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material non-compliance 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. Given these limitations, during our audit 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.

Purpose of this Report

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.

*Hunt + Associates, P.C.*

Oskaloosa, Iowa  
December 19, 2014

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

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

- (a) Unmodified opinions were issued on all opinion units.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were reported.
- (c) The audit did not report any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were reported.
- (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 did not qualify as a low-risk auditee.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

II-A-14 Financial Reporting – During the audit, we identified material corrections for receivables, payables and capital assets disposals which were not initially caught by District controls in place. 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, payables and capital assets changes are identified and included in the District’s financial statements so that the financial statements are free of material misstatements.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion – Response accepted.

II-B-14 Purchase Orders – We noted during our audit that the District currently uses purchase orders in the purchasing process. However, we noted that seven 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. Some of these items were for emergency repairs. We will work on adding an exception to our purchase order policy procedures for emergency repairs.

Conclusion – Response accepted.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

Part II: Findings Related to the Basic Financial Statements (continued):

Internal Control Deficiencies (continued):

- II-C-14    Untimely Deposits of Receipts – We noted in our testing of receipts and accounts receivables that several receipts were not timely deposited to the bank. The receipts were held between two and six weeks prior to being deposited. Most July 3, 2014 receipts were held until August 11, 2014 due to staff absences.

Recommendation – The District should develop procedures that insure timely deposits of all receipts to bank accounts to protect the underlying assets. Receipts should be made on a weekly basis, at a minimum. The District should assign alternative employees to deposit receipts in instances when the usual person is absent.

Response – We will investigate this situation and we will make the necessary changes to insure the timely deposit of all receipts in the future.

Conclusion – Response accepted.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

No matters were reported.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-14 Certified Budget – Expenditures/expenses for the year ended June 30, 2014, did not exceed the amounts budgeted.
- IV-B-14 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-14 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-14 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Rebecca Nance, Spouse of Board Member Jonathan Nance	Secretary	\$32,773

In accordance with an attorney general opinion dated November 9, 1976, the transaction does not appear to represent a conflict of interest.

- IV-E-14 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-14 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-14 Certified Enrollment – We noted an overclaim of 1.2 full time equivalent resident students 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-14 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-14 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.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

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

IV-J-14 Certified Annual Report – The Certified Annual Report (CAR) was timely certified to the Iowa Department of Education. However, as noted in comment II-A-14, there were material differences in the amounts certified.

Recommendation – The District should develop procedures requiring a final review of all amounts recorded prior to certifying the CAR to insure accuracy of amounts reported.

Response – We will develop procedures required to file an accurate CAR in the future.

Conclusion – Response accepted.

IV-K-14 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

IV-L-14 Statewide Sales, Services and Use 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, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$	4,131,937
Revenues:			
Interest	\$	5,490	
Other local revenues		6,192	
Statewide sales, services and use tax		1,345,047	
School infrastructure supplemental amount		121,123	1,477,852
Expenditures/transfers out:			
School infrastructure construction		526,846	
Land purchased		540,000	1,066,846
Ending balance		\$	4,542,943

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

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

IV-M-14 Deficit Balances – At June 30, 2014, the District’s Business-type Activities and Major Fund, School Nutrition had a deficit unrestricted net position of \$24,776. In addition, the yearbook student activity account within the nonmajor Special Revenue, Student Activity Fund had a deficit balance of \$7,936 at June 30, 2014.

Recommendation – The District should continue to investigate alternatives to eliminate the deficit in the Activity Fund. The District should also investigate alternatives to restore the School Nutrition Fund to a sound and stable financial position.

Response – The District is continuing to investigate alternatives to eliminate these deficits.

Conclusion – Response accepted.