

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, 2015

TABLE OF CONTENTS

	Page
OFFICIALS	4
INDEPENDENT AUDITOR’S REPORT	5-6
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	7-15
BASIC FINANCIAL STATEMENTS:	
Exhibit	
Government-Wide Financial Statements:	
A Statement of Net Position	18-19
B Statement of Activities	20-23
Governmental Fund Financial Statements:	
C Balance Sheet	24-25
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	26
E Statement of Revenues, Expenditures and Changes in Fund Balances	27-28
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	29-30
Proprietary Fund Financial Statements:	
G Statement of Fund Net Position	31
H Statement of Revenues, Expenses and Changes in Fund Net Position	32
I Statement of Cash Flows	33-34
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Net Position	35
K Statement of Changes in Fiduciary Net Position	36
Notes to Financial Statements	37-57
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund	60
Notes to Required Supplementary Information – Budgetary Reporting	61
Schedule of the District’s Proportionate Share of the Net Pension Liability	62
Schedule of District Contributions	64-65
Notes to Required Supplementary Information – Pension Liability	66-67
Schedule of Funding Progress for the Retiree Health Plan	68
SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	70
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	71
Capital Projects Accounts:	
3 Combining Balance Sheet	72
4 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	73
5 Schedule of Changes in Special Revenue Fund, Student Activity Accounts	74-76
6 Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	78-79
7 Schedule of Expenditures of Federal Awards	80

TABLE OF CONTENTS
(continued)

	Page
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	81-82
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133	83-84
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	85-91

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Barbara Brown	President	2017
Jeff Smith	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 (Resigned June 10, 2015)	
Doug Cameron	Board Member (Appointed June 10, 2015)	2015
<u>School Officials</u>		
Todd Abrahamson	Superintendent	2016
Lisa Johnson	Board Treasurer/Board Secretary Business Manager	2015
Donald L. Schild	Attorney	2015
Gruhn Law Firm	Attorney	2015
Ahlers Law Firm	Attorney	2015

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.
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grinnell-Newburg Community School District, Grinnell, Iowa, as of and for the year ended June 30, 2015 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, 2015, 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.

Emphasis of Matter

As discussed in Note 13 to the financial statements, Grinnell-Newburg Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 60 through 68 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, 2014 (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 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 January 19, 2016 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.

Hunt & Associates, P.C.

Oskaloosa, Iowa
January 19, 2016

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, 2015. Please read it in conjunction with the District's financial statements.

Financial Highlights

- General Fund revenues decreased from \$16,910,432 in FY14 to \$16,449,342 in FY15, while General Fund expenditures increased from \$16,849,963 in FY14 to \$16,864,897 in FY15. Expenditures exceeded revenues by \$415,555 in FY15. In FY14, expenditures exceeded revenues by \$60,469.

The General Fund balance at June 30, 2015 was \$3,997,467 or 23.7% 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, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary information provides detailed information about the non-major governmental funds.

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

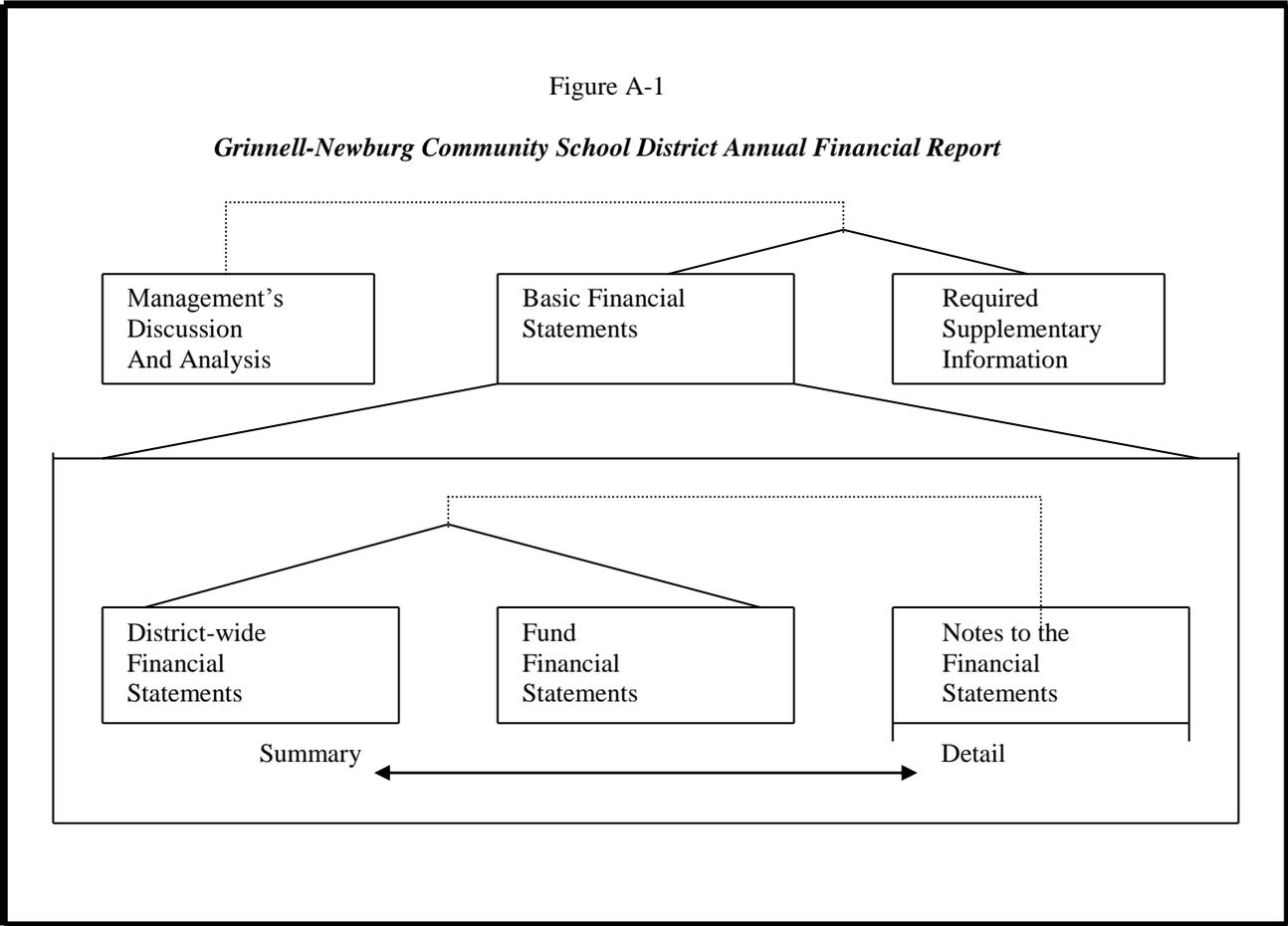


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents 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 fund net position Statement of revenues, expenses and changes in fund 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	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, deferred outflows of resources, liabilities and deferred inflows of resources. 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 deferred out-flows of resources and the liabilities and deferred inflows of resources – 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 2014 and 2015 follows:

Figure A-3
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total School District	
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)
Assets:						
Current and other Assets	\$20,698,790	\$21,067,716	\$5,176	\$34,547	\$20,703,966	\$21,102,263
Capital assets	<u>20,464,112</u>	<u>20,438,956</u>	<u>81,611</u>	<u>98,876</u>	<u>20,545,723</u>	<u>20,537,832</u>
Total assets	41,162,902	41,506,672	86,787	133,423	41,249,689	41,640,095
Deferred outflows of resources	<u>1,277,102</u>	<u>0</u>	<u>39,418</u>	<u>0</u>	<u>1,316,520</u>	<u>0</u>
Long-term obligations	9,554,317	4,306,336	197,906	3,328	9,752,223	4,309,664
Other obligations	<u>1,276,924</u>	<u>1,503,221</u>	<u>63,721</u>	<u>55,995</u>	<u>1,340,645</u>	<u>1,559,216</u>
Total liabilities	10,831,241	5,809,557	261,627	59,323	11,092,868	5,868,880
Deferred Inflows of Resources	<u>10,452,081</u>	<u>7,854,692</u>	<u>76,192</u>	<u>0</u>	<u>10,528,273</u>	<u>7,854,692</u>
Net position						
Net investment in capital assets	18,092,981	16,952,197	81,611	9 8,876	18,174,592	17,051,073
Restricted	6,854,369	6,511,435			6,854,369	6,511,435
Unrestricted	<u>(3,790,668)</u>	<u>4,378,791</u>	<u>(293,225)</u>	<u>(24,776)</u>	<u>(4,083,893)</u>	<u>4,354,015</u>
Total net position	<u>\$21,156,682</u>	<u>\$27,842,423</u>	<u>(211,614)</u>	<u>\$74,100</u>	<u>\$20,945,068</u>	<u>\$27,916,523</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 they 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.

The reduction in unrestricted net position was primarily a result of the District’s net pension liability recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$7,966,513 and \$248,588, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014.

Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Change in net position – Figure A-4 shows a comparison of the changes in net position for two years ending June 30, 2014 and 2015.

Figure A-4

Changes in Net Position

	Governmental Activities		Business-type Activities		Total School District	
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)
Revenues:						
Program revenues:						
Charges for service & sales	\$ 1,170,239	\$ 1,108,015	\$ 412,356	\$ 405,010	\$ 1,582,595	\$ 1,513,025
Operating grants, contributions, and restricted interest	2,324,643	2,300,876	401,791	375,391	2,726,434	2,676,267
Capital grants, contributions and restricted interest	-	70,000	-	-	-	70,000
General revenues:						
Property tax:						
General purposes	6,126,726	5,969,891	-	-	6,126,726	5,969,891
Debt Service	1,338,235	1,361,634	-	-	1,338,235	1,361,634
PPEL	503,279	504,054	-	-	503,279	504,054
Statewide Sales, Services and Use tax	1,551,738	1,466,170	-	-	1,551,738	1,466,170
Income Surtax	642,793	588,474	-	-	642,793	588,474
Unrestricted state grants	7,452,852	7,616,506	-	-	7,452,852	7,616,506
Unrestricted interest earnings	12,329	9,460	43	61	12,372	9,521
Other	93,716	65,441	-	-	93,716	65,441
Total revenues	\$21,216,550	\$21,060,521	\$ 814,190	\$ 780,462	\$22,030,740	\$21,840,983
Program expenses:						
Instruction	\$11,743,003	\$11,873,335	-	-	\$11,743,003	\$11,873,335
Support Services	5,708,437	5,760,112	10,459	9,105	5,718,896	5,769,217
Non-instructional programs	-	-	840,857	836,885	840,857	836,885
Other expenses	2,484,338	1,886,917	-	-	2,484,338	1,886,917
	\$19,935,778	\$19,520,364	\$851,316	\$845,990	\$20,787,094	\$20,366,354
Change in net position	\$1,280,772	\$1,540,157	(\$37,126)	(\$65,528)	\$ 1,243,646	\$ 1,474,629

The major sources of 2015 revenues for the District were property tax and unrestricted state grants, accounting for 70.0% of the 2015 revenues. Other revenue sources were charges for sales and services, 7.2%; operating grants, contributions, and unrestricted interest, 12.4%; sales, services and use tax, 7.0%; income surtax, 2.9%; and other sources, <1%.

The District's expenses primarily relate to instruction and support services, which accounted for 84.0% of the total expenses.

Governmental Activities

Governmental activities revenues for 2015 were \$21,216,550 and expenses were \$19,935,778 resulting in a net position increase of \$1,280,772.

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	
	2015	2014 (Not restated)	2015	2014 (Not restated)
Instruction	\$11,743,003	\$11,873,335	\$9,035,286	\$9,239,637
Support Services	5,708,437	5,760,112	5,632,881	5,696,750
Non-instructional programs				
Other expenses	<u>2,484,338</u>	<u>1,886,917</u>	<u>1,772,729</u>	<u>1,105,086</u>
Totals	\$19,935,778	\$19,520,364	\$16,440,896	\$16,041,473

- The cost financed by users of the District's programs was \$1,170,239 in 2015, compared to \$1,108,015 in 2014.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,324,643 in 2015, compared to \$2,300,876 in 2014.
- The net cost of governmental activities was financed with \$10,162,771 of property and other taxes, \$7,452,852 unrestricted state funds, \$12,329 in unrestricted investment earnings, and \$93,716 in other revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$814,190 and expenses were \$851,316. 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 2015, its governmental funds reported combined fund balances of \$10,555,664.

Governmental Fund Highlights

The General Fund balance decreased by \$395,700 in 2015. This follows an increase of fund balance of \$87,382 from the previous year. The Capital Projects Fund balance decreased by \$25,620 from the previous year. The Debt Service Fund balance decreased \$31,838 from the previous year. Nonmajor Governmental Funds balances increased \$97,422 from the previous year.

Proprietary Fund Highlights

The School Nutrition fund net position decreased from \$(174,488) in 2014, as restated, to \$(211,614) in 2015. The decrease was attributed primarily to higher food costs. This reduction is also directly impacted by the District's pension liability recorded in the current year.

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 \$395,344 more than the total projected certified budget revenues.

Total expenditures/expenses were \$6,674,990 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, 2015 the District's governmental activities had invested \$20,464,112, net of accumulated depreciation of \$12,350,357, in a broad range of governmental capital assets, including land, buildings and building improvements, ground improvements, vehicles, and furniture. Business-type activities had invested \$81,611, net of accumulated depreciation of \$218,894, in capital assets. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,000,528 for governmental activities, and \$17,265 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 a land purchase and building and equipment additions.

Figure A-6

	Capital Assets, net of Depreciation		Total School District
	Governmental Activities	Business-type Activities	
Land	\$1,205,407	\$ -	\$1,205,407
Construction in progress	-	-	-
Buildings	17,909,890	-	17,909,890
Improvements, other than buildings	335,097	-	335,097
Furniture and equipment	<u>1,013,718</u>	<u>81,611</u>	<u>1,095,329</u>
Total	<u>\$20,464,112</u>	<u>\$81,611</u>	<u>\$20,545,723</u>

Long-Term Liabilities

At June 30, 2015 the District had long-term liabilities totaling \$9,752,223 of which \$294,394 was for early retirement benefits, \$1,975,000 was for general-obligation bond debt, \$623,132 was for capital lease purchases, \$6,498,697 was for net pension liability and \$361,000 was for net OPEB liability. More detailed information is available in Note 6 to the financial statements.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was not aware of any major existing circumstance that could significantly affect its financial health in the future.

Contacting the District's Financial Management

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

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Basic Financial Statements

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 11,416,325	\$ 24,742	\$ 11,441,067
Receivables:			
Property tax:			
Current year	61,642	-	61,642
Succeeding year	7,983,516	-	7,983,516
Income surtax	602,554	-	602,554
Internal balances	36,676	(36,676)	-
Accounts	358,932	1,561	360,493
Due from other governments	239,145	6,373	245,518
Inventories	-	9,176	9,176
Capital assets, net of accumulated depreciation (note 5)	20,464,112	81,611	20,545,723
Total assets	41,162,902	86,787	41,249,689
Deferred Outflows of Resources			
Pension related deferred outflows	1,277,102	39,418	1,316,520
Liabilities			
Accounts payable	354,583	1,769	356,352
Salaries and benefits payable	906,385	45,857	952,242
Unearned revenue	-	16,095	16,095
Accrued interest payable	15,956	-	15,956
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	249,394	-	249,394
Bonds payable	700,000	-	700,000
Capital lease purchase payable	364,508	-	364,508
Portion due after one year:			
Early retirement	45,000	-	45,000
Bonds payable	1,275,000	-	1,275,000
Capital lease purchase payable	258,624	-	258,624
Net pension liability	6,304,119	194,578	6,498,697
Net OPEB liability	357,672	3,328	361,000
Total liabilities	10,831,241	261,627	11,092,868

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 7,983,516	\$ -	\$ 7,983,516
Pension related deferred inflows	2,468,565	76,192	2,544,757
Total deferred inflows of resources	<u>10,452,081</u>	<u>76,192</u>	<u>10,528,273</u>
Net Position			
Net investment in capital assets	18,092,981	81,611	18,174,592
Restricted for:			
Categorical funding	733,097	-	733,097
Debt service	601,038	-	601,038
Capital projects	4,852,043	-	4,852,043
Management levy purposes	338,685	-	338,685
Student activities	329,506	-	329,506
Unrestricted	<u>(3,790,668)</u>	<u>(293,225)</u>	<u>(4,083,893)</u>
Total net position	<u>\$ 21,156,682</u>	<u>\$ (211,614)</u>	<u>\$ 20,945,068</u>

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction:			
Regular	\$ 6,981,357	\$ 449,158	\$ 1,181,290
Special	2,662,894	307,823	317,066
Other	2,098,752	375,014	77,366
	<u>11,743,003</u>	<u>1,131,995</u>	<u>1,575,722</u>
Support services:			
Student	531,506	-	-
Instructional staff	326,193	-	33,588
Administration	2,269,690	-	-
Operation and maintenance of plant	1,825,112	17,682	-
Transportation	755,936	20,562	3,724
	<u>5,708,437</u>	<u>38,244</u>	<u>37,312</u>
Other expenditures:			
Facilities acquisition	904,792	-	-
Long-term debt interest and fiscal charges	107,055	-	-
AEA flowthrough	711,609	-	711,609
Depreciation (unallocated) *	760,882	-	-
	<u>2,484,338</u>	<u>-</u>	<u>711,609</u>
Total governmental activities	<u>19,935,778</u>	<u>1,170,239</u>	<u>2,324,643</u>

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (5,350,909)	\$ -	\$ (5,350,909)
(2,038,005)	-	(2,038,005)
(1,646,372)	-	(1,646,372)
<u>(9,035,286)</u>	<u>-</u>	<u>(9,035,286)</u>
(531,506)	-	(531,506)
(292,605)	-	(292,605)
(2,269,690)	-	(2,269,690)
(1,807,430)	-	(1,807,430)
(731,650)	-	(731,650)
<u>(5,632,881)</u>	<u>-</u>	<u>(5,632,881)</u>
(904,792)	-	(904,792)
(107,055)	-	(107,055)
-	-	-
(760,882)	-	(760,882)
<u>(1,772,729)</u>	<u>-</u>	<u>(1,772,729)</u>
<u>(16,440,896)</u>	<u>-</u>	<u>(16,440,896)</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Business-Type Activities:			
Support services:			
Food service operations	\$ 10,459	\$ -	\$ -
Non-instructional programs:			
Food service operations	840,857	412,356	401,791
Total business-type activities	851,316	412,356	401,791
Total	\$ 20,787,094	\$ 1,582,595	\$ 2,726,434

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, as restated (note 13)

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
\$ -	\$ (10,459)	\$ (10,459)
-	(26,710)	(26,710)
-	(37,169)	(37,169)
(16,440,896)	(37,169)	(16,478,065)
\$ 6,126,726	\$ -	\$ 6,126,726
1,338,235	-	1,338,235
503,279	-	503,279
642,793	-	642,793
1,551,738	-	1,551,738
7,452,852	-	7,452,852
12,329	43	12,372
93,716	-	93,716
17,721,668	43	17,721,711
1,280,772	(37,126)	1,243,646
19,875,910	(174,488)	19,701,422
<u>\$ 21,156,682</u>	<u>\$ (211,614)</u>	<u>\$ 20,945,068</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 4,729,988	\$ 600,971	\$ 4,799,109	\$ 990,169	\$ 11,120,237
Receivables:					
Property tax:					
Current year	42,297	10,135	3,811	5,399	61,642
Succeeding year	5,489,127	1,487,563	514,826	492,000	7,983,516
Income surtax	502,128	-	100,426	-	602,554
Interfund (note 3)	36,676	-	-	-	36,676
Accounts	356,636	-	-	2,296	358,932
Due from other governments	-	-	239,145	-	239,145
 Total assets	 <u>\$ 11,156,852</u>	 <u>\$ 2,098,669</u>	 <u>\$ 5,657,317</u>	 <u>\$ 1,489,864</u>	 <u>\$ 20,402,702</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General	Debt Service	Capital Projects	Nonmajor	Total
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 261,745	\$ -	\$ 57,559	\$ 35,279	\$ 354,583
Salaries and benefits payable	906,385	-	-	-	906,385
Total liabilities	<u>1,168,130</u>	<u>-</u>	<u>57,559</u>	<u>35,279</u>	<u>1,260,968</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	5,489,127	1,487,563	514,826	492,000	7,983,516
Other	502,128	-	100,426	-	602,554
Total deferred inflows of resources	<u>5,991,255</u>	<u>1,487,563</u>	<u>615,252</u>	<u>492,000</u>	<u>8,586,070</u>
Fund balances:					
Restricted for:					
Categorical funding (note 11)	733,097	-	-	-	733,097
Debt service	-	611,106	-	-	611,106
Other capital projects	-	-	82,892	-	82,892
School infrastructure	-	-	4,769,151	-	4,769,151
Physical plant and equipment	-	-	132,463	-	132,463
Management levy purposes	-	-	-	633,079	633,079
Student activities	-	-	-	329,506	329,506
Unassigned	3,264,370	-	-	-	3,264,370
Total fund balances	<u>3,997,467</u>	<u>611,106</u>	<u>4,984,506</u>	<u>962,585</u>	<u>10,555,664</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,156,852</u>	<u>\$ 2,098,669</u>	<u>\$ 5,657,317</u>	<u>\$ 1,489,864</u>	<u>\$ 20,402,702</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, 2015

Total fund balances of governmental funds		\$ 10,555,664
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.		
		296,088
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		
		20,464,112
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.		
		602,554
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.		
		(15,956)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
	Deferred outflows of resources	\$ 1,277,102
	Deferred inflows of resources	<u>(2,468,565)</u> (1,191,463)
Long-term liabilities, including early retirement, bonds payable, capital lease purchase agreements, net pension liability and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		
		<u>(9,554,317)</u>
Net position of governmental activities		<u>\$ 21,156,682</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, 2015

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 5,829,795	\$ 1,319,063	\$ 591,869	\$ 682,015	\$ 8,422,742
Tuition	461,515	-	-	-	461,515
Other	208,799	372	28,819	468,214	706,204
State sources	9,377,873	19,171	1,558,947	10,885	10,966,876
Federal sources	571,360	-	-	-	571,360
Total revenues	<u>16,449,342</u>	<u>1,338,606</u>	<u>2,179,635</u>	<u>1,161,114</u>	<u>21,128,697</u>
Expenditures:					
Current:					
Instruction	11,050,601	-	152,685	694,374	11,897,660
Support services:					
Student	548,158	-	-	-	548,158
Instructional staff	332,688	-	-	180	332,868
Administration	2,082,514	-	96,953	127,149	2,306,616
Operation and maintenance of plant	1,561,721	-	107,330	221,372	1,890,423
Transportation	577,606	-	399,298	20,617	997,521
	<u>5,102,687</u>	<u>-</u>	<u>603,581</u>	<u>369,318</u>	<u>6,075,586</u>
Other expenditures:					
Facilities acquisition	-	-	1,438,813	-	1,438,813
Long term debt:					
Principal	-	1,632,241	-	-	1,632,241
Interest and fiscal charges	-	109,088	-	-	109,088
AEA flowthrough	711,609	-	-	-	711,609
	<u>711,609</u>	<u>1,741,329</u>	<u>1,438,813</u>	<u>-</u>	<u>3,891,751</u>
Total expenditures	<u>16,864,897</u>	<u>1,741,329</u>	<u>2,195,079</u>	<u>1,063,692</u>	<u>21,864,997</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(415,555)</u>	<u>(402,723)</u>	<u>(15,444)</u>	<u>97,422</u>	<u>(736,300)</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):					
Sale of equipment	\$ 19,855	\$ -	\$ -	\$ -	\$ 19,855
Capital lease proceeds	-	-	360,709	-	360,709
Interfund transfers in (note 4)	-	370,885	-	-	370,885
Interfund transfers out (note 4)	-	-	(370,885)	-	(370,885)
Total other financing sources (uses)	<u>19,855</u>	<u>370,885</u>	<u>(10,176)</u>	<u>-</u>	<u>380,564</u>
Net change in fund balances	(395,700)	(31,838)	(25,620)	97,422	(355,736)
Fund balances beginning 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>
Fund balances end of year	<u>\$ 3,997,467</u>	<u>\$ 611,106</u>	<u>\$ 4,984,506</u>	<u>\$ 962,585</u>	<u>\$ 10,555,664</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, 2015

Net change in fund balances - total governmental funds \$ (355,736)

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. 14,252

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	\$ 1,025,684	
Depreciation expense	<u>(1,000,528)</u>	25,156

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. 67,998

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. (360,709)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 1,632,241

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. 2,033

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 1,824

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, 2015

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	(159,394)	
	Pension expense	469,107	
	Net OPEB liability	<u>(56,000)</u>	<u>253,713</u>
Change in net position of governmental activities			<u>\$ 1,280,772</u>

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS

June 30, 2015

	<u>Enterprise</u>		<u>Internal</u>
	School		Service
	Nutrition		
Assets			
Cash and cash equivalents	\$ 24,742	\$	296,088
Accounts receivable	1,561		-
Due from other governments	6,373		-
Inventories	9,176		-
Capital assets, net of accumulated depreciation (note 5)	81,611		-
Total assets	<u>123,463</u>		<u>296,088</u>
Deferred Outflows of Resources			
Pension related deferred outflows	<u>39,418</u>		-
Liabilities			
Interfund payable (note 3)	36,676		-
Accounts payable	1,769		-
Salaries and benefits payable	45,857		-
Unearned revenue	16,095		-
Net pension liability (note 6)	194,578		-
Net OPEB liability (notes 6)	3,328		-
Total liabilities	<u>298,303</u>		-
Deferred Inflows of Resources			
Pension related deferred inflows	<u>76,192</u>		-
Fund Net Position			
Net investment in capital assets	81,611		-
Unrestricted	<u>(293,225)</u>		<u>296,088</u>
Total fund net position	<u>\$ (211,614)</u>	\$	<u>296,088</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, 2015

	<u>Enterprise</u> School Nutrition	Internal Service
Operating revenues:		
Local sources:		
Charges for services	\$ 412,356	\$ 128,687
Operating expenses:		
Support services:		
Purchased services	1,866	-
Supplies	831	-
Other	7,762	-
	<u>10,459</u>	<u>-</u>
Non-instructional programs:		
Salaries	338,830	-
Benefits	98,089	-
Purchased services	330	114,790
Supplies	386,343	-
Depreciation	17,265	-
	<u>840,857</u>	<u>114,790</u>
Total expenses	<u>851,316</u>	<u>114,790</u>
Operating income (loss)	(438,960)	13,897
Non-operating revenues:		
Interest on investments	43	355
State sources	6,027	-
Federal sources	395,764	-
Total non-operating revenues	<u>401,834</u>	<u>355</u>
Change in fund net position	(37,126)	14,252
Fund net position beginning of year, as restated (note 13)	<u>(174,488)</u>	<u>281,836</u>
Fund net position end of year	<u>\$ (211,614)</u>	<u>\$ 296,088</u>

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2015

	<u>Enterprise</u>	
	School	Internal
	Nutrition	Service
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 401,289	\$ -
Cash received from miscellaneous operating activities	15,414	128,687
Cash paid to employees for services	(453,138)	-
Cash paid to suppliers for goods or services	(348,141)	(114,790)
Net cash provided by (used by) operating activities	<u>(384,576)</u>	<u>13,897</u>
Cash flows from non-capital financing activities:		
Increase in interfund payable	36,676	-
State grants received	6,027	-
Federal grants received	348,570	-
Net cash provided by non-capital financing activities	<u>391,273</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	43	355
Net increase in cash and cash equivalents	6,740	14,252
Cash and cash equivalents beginning of year	<u>18,002</u>	<u>281,836</u>
Cash and cash equivalents end of year	<u>\$ 24,742</u>	<u>\$ 296,088</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2015

	<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)	\$ (438,960)	\$ 13,897
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Depreciation	17,265	-
Commodities used	45,497	-
(Increase) in accounts receivable	(1,561)	-
Increase in accounts payable	801	-
Increase in salaries and benefits payable	1,017	-
Decrease in inventory	2,693	-
Increase in unearned revenue	5,908	-
(Increase) in deferred outflows of resources	(10,443)	-
Increase in deferred inflows of resources	76,192	-
(Decrease) in net pension liability	(82,985)	-
Net cash provided by (used by) operating activities	<u>\$ (384,576)</u>	<u>\$ 13,897</u>

Non-cash financing activities:

During the year ended June 30, 2015, the District received \$45,497 of federal commodities.

See notes to financial statements.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2015

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>10,870</u>
Fiduciary Net Position:	
Restricted for scholarships	\$ <u><u>10,870</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, 2015

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 4,651	
Interest	<u>27</u>	
Total additions	<u>4,678</u>	
Deductions:		
Instruction:		
Scholarships awarded		<u>5,859</u>
Change in fiduciary net position	(1,181)	
Fiduciary net position beginning of year		<u>12,051</u>
Fiduciary net position end of year	\$	<u><u>10,870</u></u>
See notes to financial statements.		

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

Government-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 the following 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, 2015

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, 2015

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, 2015

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, Deferred Outflows of Resources, 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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2015 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred inflows of resources on the modified accrual basis for the governmental funds. For the government-wide statements, on the Statement of Activities the income surtax revenue is recognized.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

Interfund Receivables and Payables – During the course of its operations, the District may have certain transactions between funds or pooled cash balances. To the extent that these transactions between funds had not been paid or received as of June 30, 2015, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, 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

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

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.

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.

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, 2015.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means 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 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 consist of 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 succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

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, 2015, expenditures/expenses did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2015 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.

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, 2015, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ <u>1,855,877</u>

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

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

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 3. Interfund Receivables/Payables

At June 30, 2015, interfund receivables and payables consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Interfund balances between governmental and proprietary funds:		
Other receivables:		
General	Enterprise - School Nutrition	\$ <u>36,676</u>

The balance arises from payroll transactions not yet repaid by the School Nutrition Fund at June 30, 2015.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>370,885</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, 2015

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 592,500	\$ 612,907	\$ -	\$ 1,205,407
Construction in progress	363,997	43,800	407,797	-
Total capital assets not being depreciated	<u>956,497</u>	<u>656,707</u>	<u>407,797</u>	<u>1,205,407</u>
Capital assets being depreciated:				
Buildings	28,239,378	224,390	-	28,463,768
Improvements other than buildings	576,393	-	-	576,393
Furniture and equipment	2,232,167	552,384	215,650	2,568,901
Total capital assets being depreciated	<u>31,047,938</u>	<u>776,774</u>	<u>215,650</u>	<u>31,609,062</u>
Less accumulated depreciation for:				
Buildings	9,858,036	695,842	-	10,553,878
Improvements other than buildings	211,015	30,281	-	241,296
Furniture and equipment	1,496,428	274,405	215,650	1,555,183
Total accumulated depreciation	<u>11,565,479</u>	<u>1,000,528</u>	<u>215,650</u>	<u>12,350,357</u>
Total capital assets being depreciated, net	<u>19,482,459</u>	<u>(223,754)</u>	<u>-</u>	<u>19,258,705</u>
Governmental activities capital assets, net	<u>\$ 20,438,956</u>	<u>\$ 432,953</u>	<u>\$ 407,797</u>	<u>\$ 20,464,112</u>
Business-type activities:				
Furniture and equipment	\$ 300,505	\$ -	\$ -	\$ 300,505
Less accumulated depreciation	201,629	17,265	-	218,894
Business-type activities capital assets, net	<u>\$ 98,876</u>	<u>\$ (17,265)</u>	<u>\$ -</u>	<u>\$ 81,611</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 42,026

Support services:

Administration 6,581

Operation and maintenance of plant 18,494

Transportation 172,545

239,646

Unallocated depreciation 760,882

Total depreciation expense - governmental activities \$ 1,000,528

Business-type activities:

Food service operations \$ 17,265

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year, as Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 135,000	\$ 408,787	\$ 249,393	\$ 294,394	\$ 249,394
General obligation bonds	3,250,000	-	1,275,000	1,975,000	700,000
Capital lease purchases	619,664	360,709	357,241	623,132	364,508
Net pension liability	8,895,063	-	2,590,944	6,304,119	-
Net OPEB liability	301,672	56,000	-	357,672	-
Total	<u>\$ 13,201,399</u>	<u>\$ 825,496</u>	<u>\$ 4,472,578</u>	<u>\$ 9,554,317</u>	<u>\$ 1,313,902</u>
Business-type activities:					
Net pension liability	\$ 277,563	\$ -	\$ 82,985	\$ 194,578	\$ -
Net OPEB liability	3,328	-	-	3,328	-
Total	<u>\$ 280,891</u>	<u>\$ -</u>	<u>\$ 82,985</u>	<u>\$ 197,906</u>	<u>\$ -</u>

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 recent 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 recent five years continuously worked for the District in either case.

The early retirement benefit for each eligible employee is an amount based on three-fourths of the retiring employee's base contract salary for certified and non-certified employees up to a maximum of \$40,000. The retiring employees may also participate in the District's health insurance plan, at the employee's own cost, until reaching age 65 or otherwise becomes eligible for other health insurance coverage.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Long-Term Liabilities (continued)

Early Retirement (continued)

At June 30, 2015, the District had obligations to eighteen participants with a total liability of \$294,394.

Actual early retirement expenditures for the year ended June 30, 2015 totaled \$249,393. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

General Obligation Bonds

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2016	2.250-2.500 %	\$ 700,000	\$ 56,469	\$ 756,469
2017	3.125	250,000	43,782	293,782
2018	3.125	250,000	35,968	285,968
2019	3.500	250,000	28,156	278,156
2020	3.500	250,000	19,406	269,406
2021	3.875	275,000	10,656	285,656
		<u>\$ 1,975,000</u>	<u>\$ 194,437</u>	<u>\$ 2,169,437</u>

Capital Lease Purchase Agreement

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 three annual payments of \$54,639, and a final balloon payment of \$215,000, with an annual interest rate of 2.35% and is payable through the year ended June 30, 2018.

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.

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.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Long-Term Liabilities (continued)

Details of the District's June 30, 2015 capital lease purchase indebtedness are as follows:

Year Ending June 30,	Computers		Buses	
	Principal	Interest	Principal	Interest
2016	\$ 129,287	\$ 1,681	\$ 187,775	\$ 4,225
2017	-	-	-	-
2018	-	-	-	-
	<u>\$ 129,287</u>	<u>\$ 1,681</u>	<u>\$ 187,775</u>	<u>\$ 4,225</u>

Capital Lease Purchase Agreement (continued)

Year Ending June 30,	Buses		Total	
	Principal	Interest	Principal	Interest
2016	\$ 47,446	\$ 7,193	\$ 364,508	\$ 13,099
2017	48,561	6,078	48,561	6,078
2018	210,063	4,936	210,063	4,936
	<u>\$ 306,070</u>	<u>\$ 18,207</u>	<u>\$ 623,132</u>	<u>\$ 24,113</u>

Equipment purchased under capital lease purchase agreements totals \$1,701,556.

Note 7. Pension Plan

Plan Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Pension Plan (continued)

- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$959,090.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the District reported a liability of \$6,498,697 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's proportion was 0.163864 percent, which was an increase of 0.004109 from its proportion measured as of June 30, 2013.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Pension Plan (continued)

For the year ended June 30, 2015, the District recognized pension expense of \$470,923. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 70,628	\$ -
Changes of assumptions	286,802	-
Net difference between projected and actual earnings on pension plan investments	-	2,478,416
Changes in proportion and differences between District contributions and proportionate share of contributions	-	66,341
District contributions subsequent to the measurement date	<u>959,090</u>	<u>-</u>
Total	<u>\$ 1,316,520</u>	<u>\$ 2,544,757</u>

\$959,090 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ending June 30,
2016	\$ (551,592)
2017	(551,592)
2018	(551,592)
2019	(551,592)
2020	<u>19,041</u>
Total	<u>\$ (2,187,327)</u>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Pension Plan (continued)

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Salary increases (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15%	6.76
Private Equity	13%	11.34
Real Estate	8%	3.52
Core Plus Fixed Income	28%	2.06
Credit Opportunities	5%	3.67
TIPS	5%	1.92
Other Real Assets	2%	6.27
Cash	1%	(0.69)
	<u>100%</u>	
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Pension Plan (continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 12,279,106	\$ 6,498,697	\$ 1,619,434

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Note 8. 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 274 active and 39 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.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	82,000
Interest on net OPEB obligation		12,000
Adjustment to annual required contribution		<u>(11,000)</u>
Annual OPEB cost		83,000
Contributions made		<u>27,000</u>
Increase in net OPEB obligation		56,000
Net OPEB obligation beginning of year		<u>305,000</u>
Net OPEB obligation end of year	\$	<u><u>361,000</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, 2015.

For the year ended June 30, 2015, the District contributed \$27,000 to the medical plan.

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</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2013	\$ 77,000	63.6%	\$ 276,000
2014	78,000	62.8%	305,000
2015	83,000	32.5%	361,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$682,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$682,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,191,000, and the ratio of the UAAL to covered payroll was 9.5%. As of June 30, 2015, 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.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

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, 2014 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0% discount rate based on the District's funding policy. The projected annual medical trend rate is 8.0%. The ultimate medical trend rate is 4.5%. The medical trend rate is reduced .5% each year until reaching the 4.5% ultimate trend rate.

Mortality rates are from the RP-2014 mortality tables projected to 2030 using scale MP-14 and applied on a gender specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Reports as of June 30, 2014 and applying the termination factors used in the IPERS Actuarial Valuation Report as of June 30, 2014.

Projected claim costs of the medical plan are \$824 per month. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll on an open basis over 30 years.

Note 9. 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 \$114,790 which is recorded in the Internal Service Fund. The reserve for future casualty losses was \$296,088 at June 30, 2015.

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 10. 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 \$711,609 for the year ended June 30, 2015 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, 2015

Note 11. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
Textbook aid for non-public students	\$ 2,604
Home school assistance program	132,115
Gifted and talented programs	31,727
Returning dropouts and dropout prevention programs	339,516
Four year old preschool state aid	43,907
Teacher development academies	4,000
Successful progression for early readers	33,264
Professional development for model core curriculum	32,632
Professional development	107,846
Beginning teacher mentoring	4,120
Teacher leadership grants	<u>1,366</u>
Total	<u>\$ 733,097</u>

Note 12. Construction Commitments

The District has entered into a contract totaling \$316,400 for a high school roof replacement project. As of June 30, 2015, work on the project had not yet begun.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 13. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local government which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business-type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net position June 30, 2014, as previously reported	\$ 27,842,423	\$ 74,100
Net pension liability at June 30, 2014	(8,895,063)	(277,563)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>928,550</u>	<u>28,975</u>
Net position July 1, 2014, as restated	<u>\$ 19,875,910</u>	<u>\$ (174,488)</u>

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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, 2015

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 9,590,461	\$ 412,399	\$ 10,002,860	\$ 11,289,515	\$ (1,286,655)
Intermediate sources	-	-	-	5,000	(5,000)
State sources	10,966,876	6,027	10,972,903	9,493,028	1,479,875
Federal sources	571,360	395,764	967,124	760,000	207,124
Total revenues	21,128,697	814,190	21,942,887	21,547,543	395,344
EXPENDITURES/EXPENSES:					
Instruction	11,897,660	-	11,897,660	13,709,618	1,811,958
Support services	6,075,586	10,459	6,086,045	6,786,000	699,955
Non-instructional programs	-	840,857	840,857	950,000	109,143
Other expenditures	3,891,751	-	3,891,751	7,945,685	4,053,934
Total expenditures/expenses	21,864,997	851,316	22,716,313	29,391,303	6,674,990
Excess (deficiency) of revenues over (under) expenditures/ expenses	(736,300)	(37,126)	(773,426)	(7,843,760)	7,070,334
Other financing sources, net	380,564	-	380,564	5,000	375,564
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	(355,736)	(37,126)	(392,862)	(7,838,760)	7,445,898
Balance beginning of year, as restated	10,911,400	(174,488)	10,736,912	9,283,747	1,453,165
Balance end of year	\$ 10,555,664	\$ (211,614)	\$ 10,344,050	\$ 1,444,987	\$ 8,899,063

See accompanying independent auditor's report.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2015

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, 2015, expenditures/expenses did not exceed the amounts budgeted.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
 Last Fiscal Year*
 (In Thousands)

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.163864
District's proportionate share of the net pension liability	\$ 6,499
District's covered-employee payroll	\$ 10,688
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.81%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

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GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

Schedule of the District's Contributions

Iowa Public Employees' Retirement System
Last Ten Fiscal Years
(In Thousands)

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contributions	\$ 959	\$ 958	\$ 908	\$ 827
Contributions in relation to the statutorily required contribution	<u>959</u>	<u>958</u>	<u>908</u>	<u>827</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 10,688	\$ 10,719	\$ 10,478	\$ 10,870
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 690	\$ 637	\$ 624	\$ 586	\$ 520	\$ 471
<u>690</u>	<u>637</u>	<u>624</u>	<u>586</u>	<u>520</u>	<u>471</u>
<u>\$ -</u>					
\$ 9,930	\$ 9,586	\$ 9,831	\$ 9,689	\$ 9,045	\$ 8,193
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year Ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year Ended June 30, 2015

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2015

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2010	\$ -	\$ 452	\$ 452	0.0%	\$ 10,132	4.5%
2011	July 1, 2010	-	452	452	0.0%	6,025	7.5%
2012	July 1, 2012	-	661	661	0.0%	6,163	10.7%
2013	July 1, 2012	-	661	661	0.0%	6,357	10.4%
2014	July 1, 2014	-	682	682	0.0%	7,191	9.5%

See note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2015

	Special Revenue		Total
	Management Levy	Student Activity	
Assets			
Cash and pooled investments	\$ 628,506	\$ 361,663	\$ 990,169
Receivables:			
Property tax:			
Current year	5,399	-	5,399
Succeeding year	492,000	-	492,000
Accounts	-	2,296	2,296
Total assets	<u>\$ 1,125,905</u>	<u>\$ 363,959</u>	<u>\$ 1,489,864</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 826	\$ 34,453	\$ 35,279
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	492,000	-	492,000
Fund balances:			
Restricted for:			
Management levy purposes	633,079	-	633,079
Student activities	-	329,506	329,506
Total fund balances	<u>633,079</u>	<u>329,506</u>	<u>962,585</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,125,905</u>	<u>\$ 363,959</u>	<u>\$ 1,489,864</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, 2015

	Special Revenue		Total
	Management Levy	Student Activity	
Revenues:			
Local sources:			
Local tax	\$ 682,015	\$ -	\$ 682,015
Other	32,553	435,661	468,214
State sources	10,885	-	10,885
Total revenues	<u>725,453</u>	<u>435,661</u>	<u>1,161,114</u>
Expenditures:			
Current:			
Instruction	249,393	444,981	694,374
Support services:			
Instructional staff	-	180	180
Administration	127,149	-	127,149
Operation and maintenance of plant	220,519	853	221,372
Transportation	20,617	-	20,617
Total expenditures	<u>617,678</u>	<u>446,014</u>	<u>1,063,692</u>
Excess (deficiency) of revenues over (under) expenditures	107,775	(10,353)	97,422
Fund balances beginning of year	<u>525,304</u>	<u>339,859</u>	<u>865,163</u>
Fund balances end of year	<u>\$ 633,079</u>	<u>\$ 329,506</u>	<u>\$ 962,585</u>

See accompanying independent auditor's report.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2015

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Assets				
Cash and pooled investments	\$ 4,530,006	\$ 186,211	\$ 82,892	\$ 4,799,109
Receivables:				
Property tax:				
Current year	-	3,811	-	3,811
Succeeding year	-	514,826	-	514,826
Income surtax	-	100,426	-	100,426
Due from other governments	239,145	-	-	239,145
	<u>4,769,151</u>	<u>805,274</u>	<u>82,892</u>	<u>5,657,317</u>
Total assets	\$ <u>4,769,151</u>	\$ <u>805,274</u>	\$ <u>82,892</u>	\$ <u>5,657,317</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 57,559	\$ -	\$ 57,559
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	514,826	-	514,826
Other	-	100,426	-	100,426
	<u>-</u>	<u>615,252</u>	<u>-</u>	<u>615,252</u>
Fund balances:				
Restricted for:				
Other capital projects	-	-	82,892	82,892
School infrastructure	4,769,151	-	-	4,769,151
Physical plant and equipment	-	132,463	-	132,463
Total fund balances	<u>4,769,151</u>	<u>132,463</u>	<u>82,892</u>	<u>4,984,506</u>
Total liabilities, deferred inflows of resources and fund balances	\$ <u>4,769,151</u>	\$ <u>805,274</u>	\$ <u>82,892</u>	\$ <u>5,657,317</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, 2015

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Revenues:				
Local sources:				
Local tax	\$ -	\$ 591,869	\$ -	\$ 591,869
Other	27,725	956	138	28,819
State sources	1,551,738	7,209	-	1,558,947
Total revenues	<u>1,579,463</u>	<u>600,034</u>	<u>138</u>	<u>2,179,635</u>
Expenditures:				
Current:				
Instruction	-	152,685	-	152,685
Support services:				
Administration	-	96,953	-	96,953
Operation and maintenance of plant	51,876	55,454	-	107,330
Transportation	-	399,298	-	399,298
Other expenditures:				
Facilities acquisition	1,301,379	137,434	-	1,438,813
Total expenditures	<u>1,353,255</u>	<u>841,824</u>	<u>-</u>	<u>2,195,079</u>
Excess (deficiency) of revenues over (under) expenditures	226,208	(241,790)	138	(15,444)
Other financing sources (uses):				
Capital lease proceeds	-	360,709	-	360,709
Interfund transfers out	-	(370,885)	-	(370,885)
Total other financing sources (uses)	<u>-</u>	<u>(10,176)</u>	<u>-</u>	<u>(10,176)</u>
Net change in fund balances	226,208	(251,966)	138	(25,620)
Fund balances beginning of year	<u>4,542,943</u>	<u>384,429</u>	<u>82,754</u>	<u>5,010,126</u>
Fund balances end of year	<u>\$ 4,769,151</u>	<u>\$ 132,463</u>	<u>\$ 82,892</u>	<u>\$ 4,984,506</u>

See accompanying independent auditor's report.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
District-Wide:				
Student Activities	\$ 14,253	\$ 441	\$ 815	\$ 13,879
Fine Arts	2,007	25,525	19,230	8,302
High School:				
Plays and Productions	10,729	5,065	8,778	7,016
Curtain Club	1,088	669	1,063	694
Speech	-	1,382	1,277	105
Vocal Music	2,230	2,811	3,184	1,857
Choir Robes	1,826	1,152	2,496	482
Band	62	8,428	5,877	2,613
Band Trip	1,719	13,968	13,649	2,038
Band Uniforms	2,700	2,600	3,573	1,727
SS Christmas Shares	120	-	-	120
Caps and Gowns	-	1,760	1,760	-
Coaches Club	106	-	-	106
Track Club	1,758	75	318	1,515
Cross Country	327	-	40	287
Weightlifting Club	4,888	-	2,247	2,641
Boys Basketball	3,270	7,857	4,763	6,364
Boys Golf	468	-	-	468
Boys Swimming	40	-	-	40
Girls Basketball	13,702	4,999	6,415	12,286
Girls Soccer	332	-	26	306
Softball	4,530	1,360	2,500	3,390
Girls Swimming	1,731	-	-	1,731
Partners	-	1,460	1,331	129
Art Club	1,411	270	520	1,161
Cheerleaders	2,250	14,189	16,439	-
Tiger's Den	6,742	-	88	6,654
Prom	4,647	2,461	3,370	3,738
F.C.C.L.A.	1,638	1,029	1,491	1,176
Football Club	6,156	9,706	8,159	7,703
Basic Training	7,378	6,391	7,160	6,609
Debate	(40)	3,665	3,625	-
FFA	9,701	31,039	33,349	7,391
Tiger Paws	13,537	9,377	9,863	13,051

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2015

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.	13	1,010	692	331
National Honor Society	121	900	934	87
Spanish Club	1,699	-	800	899
Student Council	951	3,262	2,660	1,553
Snack Bar	3,705	1,971	2,056	3,620
Yearbook	(7,936)	22,413	21,396	(6,919)
Book Fair	2,907	2,912	1,597	4,222
Boys Soccer	-	10	10	-
Baseball Club	3,697	1,760	691	4,766
Boys Tennis Club	319	-	-	319
Wrestling Club	1,163	-	-	1,163
Volleyball Club	4,449	2,964	2,848	4,565
Girls Tennis Club	1,155	-	-	1,155
Girls Golf Club	29	-	-	29
Student Activities	434	6,806	7,240	-
Activity Support Fee	65	25	-	90
Gifts and Donations	1,036	-	1,036	-
High School Athletics	93,657	140,826	153,584	80,899
Middle School:				
Plays and Productions	1,011	794	841	964
Vocal Music	4,967	1,673	3,984	2,656
Band	8,426	5,117	4,740	8,803
Chess Club	762	-	-	762
Campout	3,842	665	2,454	2,053
Camp Grinnell	174	-	-	174
Science Club	4,079	750	169	4,660
Destination Imagination	2,549	2,296	3,179	1,666
Student Council	13,499	14,700	22,092	6,107
Book Fair	1,442	8,087	6,584	2,945
Student Activities	2,384	2,397	4,774	7
Activity Support Fee	8,659	23	355	8,327
Gifts and Donations	1,203	-	-	1,203
Outdoor Adventure Club	-	6,915	1,940	4,975

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Middle School Athletics	\$ 18,463	\$ 26,537	\$ 18,629	\$ 26,371
Bailey Park Elementary:				
Book Fair	2,908	3,300	2,724	3,484
Student Activities	4,176	1,743	90	5,829
Gifts and Donations	7,604	500	-	8,104
Davis Elementary:				
Book Fair	2,318	7,022	5,496	3,844
Student Activities	11,672	2,063	1,315	12,420
Gifts and Donations	140	-	-	140
Fairview Elementary:				
Book Fair	1,623	7,664	7,306	1,981
Student Activities	6,334	377	392	6,319
Gifts and Donations	1,539	500	-	2,039
 Total	 \$ <u>339,859</u>	 \$ <u>435,661</u>	 \$ <u>446,014</u>	 \$ <u>329,506</u>

See accompanying independent auditor's report.

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GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2015	2014	2013	2012
Revenues:				
Local sources:				
Local tax	\$ 8,422,742	\$ 8,333,847	\$ 9,960,193	\$ 9,775,565
Tuition	461,515	445,127	403,579	530,778
Other	706,204	700,445	775,263	1,028,228
State sources	10,966,876	10,961,541	9,434,183	9,117,564
Federal sources	571,360	505,845	407,505	687,296
Total revenues	\$ 21,128,697	\$ 20,946,805	\$ 20,980,723	\$ 21,139,431
Expenditures:				
Instruction	\$ 11,897,660	\$ 11,786,526	\$ 11,388,250	\$ 12,738,854
Support services:				
Student	548,158	557,920	486,692	499,907
Instructional staff	332,868	362,230	435,330	490,627
Administration	2,306,616	2,206,019	2,333,846	2,027,988
Operation and maintenance of plant	1,890,423	1,791,040	1,735,994	1,534,421
Transportation	997,521	638,001	989,825	716,839
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	1,438,813	1,343,207	371,421	550,544
Judgements paid	-	-	-	10,000
Long-term debt:				
Principal	1,632,241	970,056	890,848	790,968
Interest and fiscal charges	109,088	131,941	143,838	135,950
AEA flowthrough	711,609	711,831	696,729	692,997
Total expenditures	\$ 21,864,997	\$ 20,498,771	\$ 19,472,773	\$ 20,189,095

See accompanying independent auditor's report.

	2011	2010	2009	2008	2007	2006
\$	9,238,335	\$ 8,898,254	\$ 8,511,361	\$ 8,402,622	\$ 7,701,812	\$ 7,318,522
	529,568	433,339	512,273	507,751	457,114	464,648
	1,295,840	1,243,877	1,216,618	508,898	2,294,202	3,122,680
	8,979,241	7,491,052	8,462,266	8,410,860	7,968,921	7,332,526
	885,849	1,572,519	615,223	429,269	429,102	602,424
\$	<u>20,928,833</u>	<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>
\$	11,365,892	\$ 10,606,216	\$ 10,382,605	\$ 10,182,778	\$ 10,186,119	\$ 9,201,079
	460,917	435,580	394,964	365,780	361,383	382,760
	444,014	364,914	400,339	523,850	438,521	421,309
	1,935,761	1,936,166	2,117,635	2,185,781	1,933,147	1,829,346
	1,598,564	1,492,326	1,509,357	1,711,156	1,878,062	1,446,013
	1,030,475	619,047	556,651	682,836	711,329	525,710
	-	-	-	22,930	-	-
	810,750	628,958	308,549	286,234	3,477,011	5,621,478
	-	-	-	-	-	-
	645,000	8,195,000	2,045,000	2,530,000	1,080,000	895,000
	160,968	377,149	393,786	483,154	507,096	532,077
	759,218	731,573	612,811	588,211	557,625	515,676
\$	<u>19,211,559</u>	<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>

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2015

Grantor / Program	CFDA Number	Pass-through Grantor Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	2709-15	\$ 62,174
National School Lunch Program	10.555	2709-15	320,161 *
Summer Food Service Program for Children	10.559	2709-15	13,429
			395,764
U. S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	2709-GC-14	15,354
Title I Grants to Local Educational Agencies	84.010	2709-G-14	38,072
Title I Grants to Local Educational Agencies	84.010	2709-G-15	133,134
Title I Grants to Local Educational Agencies	84.010	2709-GC-15	51,081
			237,641
Improving Teacher Quality State Grants	84.367	2709-15	45,969
Grants for State Assessments and Related Activities	84.369	2709-15	8,175
Area Education Agency #267:			
Special Education - Grants to States	84.027	2709-15	77,000
Career and Technical Education - Basic Grants to States	84.048	2709-15	17,160
Total			\$ 781,709

* = Includes \$45,497 of non-cash awards.

Basis of Presentation –

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

See accompanying independent auditor's report.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE 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, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 19, 2016.

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 described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-15 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-15, II-C-15 and II-D-15 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, 2015 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 the 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 results 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
January 19, 2016

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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 its major federal programs for the year ended June 30, 2015. 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 of the 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, 2015.

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
January 19, 2016

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

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, 2015

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

II-A-15 Financial Reporting – During the audit, we identified material corrections for capital asset additions and depreciation expense 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 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 capital asset transactions.

Conclusion – Response accepted.

II-B-15 Purchase Orders – We noted during our audit that the District currently uses purchase orders in the purchasing process. However, we noted that fourteen out of thirty 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. We are also looking into moving towards a more centralized purchasing system.

Conclusion – Response accepted.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

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

Internal Control Deficiencies (continued):

- II-C-15 Untimely Deposits of Receipts – We noted in our testing of receipts that several receipts were not timely deposited to the bank. The receipts were held up to two weeks prior to being deposited.

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.

- II-D-15 Bank Reconciliations – Internal Service Fund – We noted in our testing of bank reconciliations that the cash balances of the Internal Service Fund are not reconciled monthly to the District’s general ledger cash account. Instead, the cash is reconciled to the internal records held by Employee Benefits Solutions (EBS). However, those amounts differ from the District’s actual cash balances due to timing differences between when health care costs are funded by the District but recognized in the EBS system. The difference at year end was an overstatement of cash totaling \$11,529.

Recommendation – The district should recognize costs of the Internal Service Fund as they are incurred, not as they are first funded through the EBS process. The cash reconciliation process would then be synchronized with actual cash balances held by the District.

Response – We will modify the way we prepare our monthly cash reconciliations for the Internal Service Fund to correctly match expenses to the proper period.

Conclusion – Response accepted.

GRINNELL-NEWBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

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, 2015

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-15 Certified Budget – Expenditures/expenses for the year ended June 30, 2015, did not exceed the amount budgeted.
- IV-B-15 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-15 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-15 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	\$40,108

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

- IV-E-15 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-15 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-15 Certified Enrollment – We noted an underclaim of .10 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-15 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-15 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, 2015

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

- IV-J-15 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

- IV-K-15 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

- IV-L-15 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, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$	4,542,943
Revenues:			
Interest	\$	6,467	
Other local revenues		21,258	
Statewide sales, services and use tax		<u>1,551,738</u>	1,579,463
Expenditures/transfers out:			
School infrastructure construction		879,584	
Land purchased		211,110	
Equipment		80,671	
Other		<u>181,890</u>	<u>1,353,255</u>
Ending balance		\$	<u><u>4,769,151</u></u>

For the year ended June 30, 2015, 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, 2015

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

IV-M-15 Financial Condition – The District’s Governmental Activities had a deficit unrestricted net position of \$3,790,668 at June 30, 2015. The District’s Business-Type Activities had a deficit unrestricted net position of \$293,225 at June 30, 2015. These deficit balances arose due to the implementation of Governmental Accounting Standards Board Statement Number 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27 which required the inclusion of the District’s proportionate share of the IPERS pension liability and related deferred inflows and outflows in the District’s financial statements. In addition, the High School Yearbook account within the nonmajor Special Revenue Fund, Student Activity had a deficit balance of \$6,919.

Recommendation – Even though the deficits in the District’s Governmental Activities and Business-Type Activities arose due to the inclusion of the proportionate share of the IPERS net pension liability in the financial statements, the District should investigate ways to return the governmental and business-type activities and the Nutrition Fund to sound financial conditions. The District should continue to investigate alternatives to eliminate the deficit balance in the Yearbook account.

Response – We are unsure of what steps can be taken at this time to alleviate the strain of the District’s proportionate share of the IPERS liability since the Iowa legislature controls all actions related to this area. However, we will look into this situation and investigate ways to return the associated activities and funds to sound financial conditions. We are aware of the deficit balance in the Yearbook account and we are investigating methods to correct the situation.

Conclusion – Response accepted.