

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT
REINBECK, IOWA

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

JUNE 30, 2013

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GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Matt Wyatt	President	2015
Mike Bearden	Vice President	2013
Doug Rowe	Board Member	2013
Deb Cooley	Board Member	2013
Amanda Gehring	Board Member	2015
Eric Sieh	Board Member	2015
Lisa Swanson	Board Member	2015
<u>School Officials</u>		
Tim Kuehl	Superintendent	2013
Debra Oleson	District Secretary/Treasurer	2013
Ahlers and Cooney, P.C.	Attorney	2013

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

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Gladbrook-Reinbeck 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 Gladbrook-Reinbeck Community School District, Gladbrook-Reinbeck Iowa, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 15 and 54 through 56 be represented 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 Gladbrook-Reinbeck Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 23, 2013 on our consideration of Gladbrook-Reinbeck Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Gladbrook-Reinbeck Community School District's internal control over financial reporting and compliance.

Oskaloosa, Iowa
October 23, 2013

Hunt & Associates, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Gladbrook-Reinbeck Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

General Fund revenues decreased from \$6,584,873 in fiscal 2012 to \$6,275,861 in fiscal 2013, and General Fund expenditures increased from \$6,224,896 in 2012 to \$6,436,917 in 2013. The District's General Fund balance decreased from \$1,562,836 in fiscal year 2012 to \$1,401,780 in 2013, a 10.31% decrease.

The District's solvency ratio decreased from 22.9% in fiscal 2012 to 21.7% in fiscal 2013. The District's solvency level indicates that the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well 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-1
Gladbrook-Reinbeck Community School District Annual Financial Report

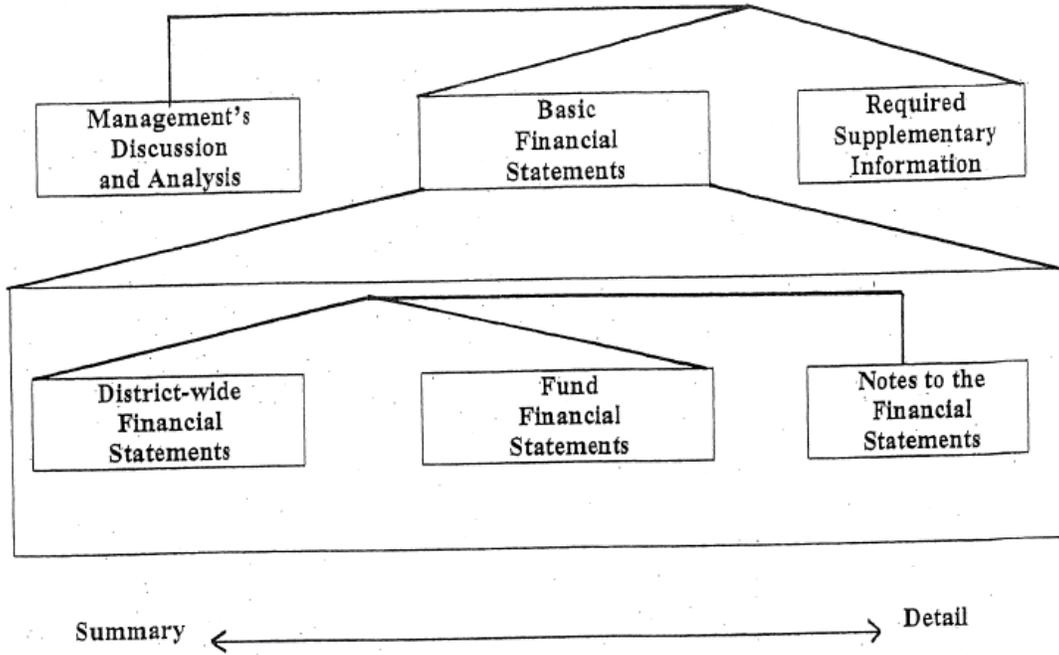


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents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

Figure A-2 Major Features of the District-Wide and Fund Financial Statements				
	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 and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net position and how they have changed. Net position—the difference between the District's assets and liabilities — are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

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

2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

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

3) Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Agency Funds.

- Agency Funds: These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

The required financial statements for fiduciary funds include a statement of fiduciary net position and a statement of changes in fiduciary net position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Changes
	June 30		June 30		June 30		June 30
	2012	2013	2012	2013	2012	2013	2012-2013
Current and other assets	\$6,186,940	\$7,426,576	\$30,824	\$6,240	\$6,217,764	\$7,432,816	19.54%
Capital assets	\$4,641,290	\$4,564,423	\$37,458	\$32,493	\$4,678,748	\$4,596,916	-1.75%
Total Assets	\$10,828,230	\$11,990,999	\$68,282	\$38,733	\$10,896,512	\$12,029,732	10.40%
Long-term liabilities	\$1,597,661	\$2,637,977	\$0	\$0	\$1,597,661	\$2,637,977	65.11%
Other liabilities	\$3,332,073	\$3,495,034	\$5,668	\$5,010	\$3,337,741	\$3,500,044	4.86%
Total liabilities	\$4,929,734	\$6,133,011	\$5,668	\$5,010	\$4,935,402	\$6,138,021	24.37%
Net position:							
Invested in capital Assets, net of related debt	\$4,121,401	\$4,188,977	\$37,458	\$32,493	\$4,158,859	\$4,221,470	1.51%
Restricted	\$445,172	\$471,918	\$0	\$0	\$445,172	\$471,918	6.01%
Unrestricted	\$1,331,923	\$1,197,093	\$25,156	\$1,230	\$1,357,079	\$1,198,323	-11.70%
Total net position	\$5,898,496	\$5,857,988	\$62,614	\$33,723	\$5,961,110	\$5,891,711	-1.16%

The District's combined total net position decreased by 1.16%, or \$69,399, over the prior year. The largest portion of the District's net position is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased 6.01% or \$26,746, over the prior year. The increase was primarily due to the additional levy resources received in the current year.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased by \$158,756 or 11.70%. This decrease in unrestricted net position was primarily due to an increase in long-term liabilities and an increase in restricted assets, and capital assets.

Figure A-4 shows the change in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-4							
Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Changes
	June 30		June 30		June 30		June 30
	2012	2013	2012	2013	2012	2013	2012-2013
Revenues:							
Program revenues:							
Charges for services	\$383,910	\$354,734	\$159,731	\$156,047	\$543,641	\$510,781	-6.04%
Operating grants, contributions and restricted interest	\$860,050	\$916,279	\$103,439	\$112,715	\$963,489	\$1,028,994	6.80%
Capital grants, contributions and restricted interest	\$0	\$0	\$24,207	\$0	\$24,207	\$0	100.00%
General revenues:							
Property tax	\$2,881,905	\$2,752,805	\$0	\$0	\$2,881,905	\$2,752,805	-4.48%
Income surtax	\$322,671	\$382,507	\$0	\$0	\$322,671	\$382,507	18.54%
Statewide sales, service and use tax	\$493,124	\$530,661	\$0	\$0	\$493,124	\$530,661	7.61%
Unrestricted state and federal grants	\$2,606,290	\$2,473,286	\$0	\$0	\$2,606,290	\$2,473,286	-5.10%
Unrestricted investments earnings	\$26,686	\$26,465	\$63	\$47	\$26,749	\$26,512	-0.89%
Other	\$61,549	\$84,128	\$0	\$0	\$61,549	\$84,128	36.68%
Total revenues	\$7,636,185	\$7,520,865	\$287,440	\$268,809	\$7,923,625	\$7,789,674	-1.69%
Program expenses:							
Governmental activities:							
Instruction	\$4,673,336	\$4,757,397			\$4,673,336	\$4,757,397	1.80%
Support services	\$2,157,519	\$2,285,378	\$2,899	\$836	\$2,160,418	\$2,286,214	5.82%
Non-instructional programs	\$23,825	\$3,861	\$280,785	\$296,864	\$304,610	\$300,725	-1.28%
Other expenses	\$500,391	\$514,737		\$0	\$500,391	\$514,737	2.87%
Total Expenses	\$7,355,071	\$7,561,373	\$283,684	\$297,700	\$7,638,755	\$7,859,073	2.88%
Change in net position	\$281,114	-\$40,508	\$3,756	-\$28,891	\$284,870	-\$69,399	-124.36%

In fiscal year 2013, property tax and unrestricted state and federal grants accounted for 67.09% of total revenue while charges for service and operating grants, contributions and restricted interest accounted for 19.77% of total revenue.

The District's total revenues were approximately \$7.79 million, of which approximately \$7.52 million was for governmental activities and less than \$0.3 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.69% decrease in revenues and a 2.88% increase in expenses. Property tax decreased approximately \$129,100 due to no cash reserve levy. Income surtax and statewide sales, service & use tax showed moderate increases. The increase in expenses is related to a modest increase in all expenditures, offset by a decrease in non-instructional program expenses.

Governmental Activities

Revenues for governmental activities were \$7,520,865 and expenses were \$7,561,373, resulting in a net position decrease of \$40,508. The district’s expenses for governmental activities primarily relate to instruction and support services which accounted for 93% of the total expenses.

The following table presents the total and net cost of the District’s governmental activities for the instruction, support services, non- instructional programs and other expense functions for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-5						
Total and Net Cost of Governmental Activities						
	Total Cost of Services		Change	Net Cost of Services		Change
	2012	2013	2012-2013	2012	2013	2012-2013
Instruction	\$4,673,336	\$4,757,397	1.80%	\$3,823,176	\$3,834,950	0.31%
Support services	\$2,157,519	\$2,285,378	5.93%	\$2,029,090	\$2,192,210	8.04%
Non-instructional programs	\$23,825	\$3,861	-83.79%	\$23,825	\$3,861	-83.79%
Other expenses	\$500,391	\$514,737	2.87%	\$235,020	\$259,339	10.35%
Totals	\$7,355,071	\$7,561,373	2.80%	\$6,111,111	\$6,290,360	2.93%

For the year ended June 30, 2013:

- The cost financed by users of the District’s programs was \$354,734.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$916,279.
- The net cost of governmental activities was financed primarily with \$3,665,973 in property and other taxes and \$2,473,286 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$268,809, and expenses were \$297,700. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Gladbrook-Reinbeck Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,595,559, an increase of \$1,067,651 over the prior year’s ending fund balance of \$2,527,908.

Governmental Fund Highlights

- The General Fund balance decreased from \$1,562,836 to \$1,401,780. Revenues decreased due to a reduction in property taxes and federal and state revenue sources. Expenses increased slightly in all areas causing expenses to exceed revenues by \$161,056 for FY13.
- The Capital Projects Fund balance increased from \$429,851 to \$1,572,262 due to the proceeds from a Physical, Plant & Equipment (PPEL) Capital Loan Note with the majority of expenditures from those proceeds being scheduled for future years.

Proprietary Fund Highlights

- School Nutrition Fund net position decreased from \$62,614 at June 30, 2012 to \$33,723 at June 30, 2013, due to the decreases in capital contributions revenue and overall increases in expenditures.

BUDGETARY HIGHLIGHTS

Over the course of the year, Gladbrook-Reinbeck Community School District amended its budget once to allow for capital projects expenditures of the capital loan note proceeds.

The District's revenues were \$15,485 less than budgeted revenues, a variance of .20%. The District received more in state and federal sources than originally anticipated but less in local source revenues.

Total expenditures were less than budgeted. It is the District's practice to maximize the authorized spending authority for all funds, but anticipates less expenditures than budgeted. The District manages or controls spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

More detailed budgetary information can be found in the required supplementary information section of the report. The District does budget by fund but the legal level of control is at the functional level.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$4,596,916, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 1.75% from last year. Depreciation expense for the year was \$427,251. More detailed information about the District's capital assets is presented in Note 5 to the financial statements.

The original cost of the District's capital assets was \$9,739,484. Governmental funds account for \$9,609,008 of those costs, with the remainder of \$130,476 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the furniture and equipment category with a decrease of 27.17%. The district had a larger amount of depreciation for current furniture and equipment than new acquisitions.

A summary of the Districts' Capital Assets, net of depreciation is shown in figure A-6.

Figure A-6							
Capital Assets, net of Depreciation							
	Governmental Activities		Business Type Activities		Total District		Total Changes
	June 30		June 30		June 30		June 30
	2012	2013	2012	2013	2012	2013	2012-2013
Land	\$37,965	\$37,965	\$0	\$0	\$37,965	\$37,965	0.00%
Buildings	\$3,521,775	\$3,666,622	\$0	\$0	\$3,521,775	\$3,666,622	4.11%
Construction in Progress	\$169,130	\$148,434	\$0	\$0	\$169,130	\$148,434	-12.24%
Improvements other than buildings	\$190,518	\$190,875	\$0	\$0	\$190,518	\$190,875	0.19%
Furniture and equipment	\$721,902	\$520,527	\$37,458	\$32,493	\$759,360	\$553,020	-27.17%
Totals	\$4,641,290	\$4,564,423	\$37,458	\$32,493	\$4,678,748	\$4,596,916	-1.75%

Long-Term Liabilities

At June 30, 2013, the District had \$2,637,977 in a variety of long-term liabilities outstanding. This represents an increase of 65.11% from last year. (See Figure A-7). Additional information about the District's long-term liabilities is presented in Note 6 and Note 7 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding debt is significantly below its constitutional debt limit of approximately \$12.8 million.

A summary of the Districts' long-term liabilities is shown in figure A-7.

Figure A-7			
Outstanding Long-term Obligations			
	Total District		Total Changes
	June 30		June 30
	2012	2013	2012-2013
Early Retirement	\$226,260	\$301,273	33.15%
Revenue Bonds & Capital Loan Note	\$795,000	\$1,770,000	122.64%
Capital Lease	\$164,889	\$224,068	35.89%
Compensated absences	\$159,512	\$64,636	-59.48%
Net OPEB Liability	\$252,000	\$278,000	10.32%
	\$1,597,661	\$2,637,977	65.11%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Actual certified enrollment has decreased each year over the past few years. Enrollment decreases result in reduced state funding. However it is anticipated that enrollment should be stabilizing in the next few years.
- Funding to local school districts from federal and state agencies needs to be monitored closely. Decreases will result in less funding and less spending authority for the district that will require budget reductions 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 Debra Oleson, District Secretary/Treasurer, Gladbrook-Reinbeck Community School District, 300 Cedar Street, Reinbeck, IA 50669.

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Basic Financial Statements

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 3,913,454	\$ 9,036	\$ 3,922,490
Receivables:			
Property tax:			
Current year	34,403	-	34,403
Succeeding year	2,788,165	-	2,788,165
Income surtax	343,547	-	343,547
Accrued interest	64	-	64
Interfund receivable (payable) (note 3)	9,766	(9,766)	-
Accounts	1,136	-	1,136
Due from other governments	336,041	-	336,041
Inventories	-	6,970	6,970
Capital assets, net of accumulated depreciation (note 5)	4,564,423	32,493	4,596,916
Total assets	11,990,999	38,733	12,029,732
Liabilities			
Accounts payable	190,018	6	190,024
Salaries and benefits payable	500,121	482	500,603
Due to other governments	9,166	-	9,166
Accrued interest payable	7,564	-	7,564
Deferred revenue:			
Succeeding year property tax	2,788,165	-	2,788,165
Other	-	4,522	4,522
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	75,291	-	75,291
Bonds payable	120,000	-	120,000
Notes payable	140,000	-	140,000
Capital lease payable	129,115	-	129,115
Compensated absences	14,866	-	14,866
Portion due after one year:			
Early retirement	225,982	-	225,982
Bonds payable	120,000	-	120,000
Notes payable	1,390,000	-	1,390,000
Capital lease payable	94,953	-	94,953
Compensated absences	49,770	-	49,770
Net OPEB liability	278,000	-	278,000
Total liabilities	6,133,011	5,010	6,138,021

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	\$ 4,188,977	\$ 32,493	\$ 4,221,470
Restricted for:			
Categorical funding	93,674	-	93,674
Management levy purposes	102,450	-	102,450
Student activities	93,104	-	93,104
Debt service	182,690	-	182,690
Unrestricted	<u>1,197,093</u>	<u>1,230</u>	<u>1,198,323</u>
Total net position	<u>\$ 5,857,988</u>	<u>\$ 33,723</u>	<u>\$ 5,891,711</u>

See notes to financial statements.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental Activities:			
Instruction:			
Regular instruction	\$ 4,757,397	\$ 345,139	\$ 577,308
Support services:			
Student	221,284	-	82,845
Instructional	271,640	-	-
Administration	653,832	-	-
Operation and maintenance of plant	672,422	710	-
Transportation	466,200	8,885	728
	2,285,378	9,595	83,573
Non-instructional programs	3,861	-	-
Other expenditures:			
Facilities acquisition	101,314	-	-
Long-term debt interest and fiscal charges	25,863	-	-
AEA flowthrough	255,398	-	255,398
Depreciation (unallocated) *	132,162	-	-
	514,737	-	255,398
Total governmental activities	7,561,373	354,734	916,279

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (3,834,950)	\$ -	\$ (3,834,950)
(138,439)	-	(138,439)
(271,640)	-	(271,640)
(653,832)	-	(653,832)
(671,712)	-	(671,712)
(456,587)	-	(456,587)
(2,192,210)	-	(2,192,210)
(3,861)	-	(3,861)
(101,314)	-	(101,314)
(25,863)	-	(25,863)
-	-	-
(132,162)	-	(132,162)
(259,339)	-	(259,339)
(6,290,360)	-	(6,290,360)

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Business-Type Activities:			
Support services:			
Food service operations	\$ 836	\$ -	\$ -
Non-instructional programs:			
Food service operations	296,864	156,047	112,715
Total business-type activities	297,700	156,047	112,715
Total	\$ 7,859,073	\$ 510,781	\$ 1,028,994

General revenues:

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

Total general revenues

Change in net position

Net position beginning of year

Net position end of year

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ -	\$ (836)	\$ (836)
-	(28,102)	(28,102)
-	(28,938)	(28,938)
(6,290,360)	(28,938)	(6,319,298)
\$ 2,535,676	\$ -	\$ 2,535,676
217,129	-	217,129
382,507	-	382,507
530,661	-	530,661
2,473,286	-	2,473,286
26,465	47	26,512
84,128	-	84,128
6,249,852	47	6,249,899
(40,508)	(28,891)	(69,399)
5,898,496	62,614	5,961,110
\$ 5,857,988	\$ 33,723	\$ 5,891,711

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 1,886,885	\$ 1,406,024	\$ 620,545	\$ 3,913,454
Receivables:				
Property tax:				
Current year	28,608	2,663	3,132	34,403
Succeeding year	2,364,617	223,549	199,999	2,788,165
Income surtax	300,604	42,943	-	343,547
Accrued interest	-	-	64	64
Interfund receivable (note 3)	10,000	-	-	10,000
Accounts	748	-	388	1,136
Due from other governments	88,550	247,491	-	336,041
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 4,680,012</u>	<u>\$ 1,922,670</u>	<u>\$ 824,128</u>	<u>\$ 7,426,810</u>

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 103,772	\$ 83,916	\$ 2,330	\$ 190,018
Salaries and benefits payable	499,839	-	282	500,121
Due to other governments	9,166	-	-	9,166
Interfund payable (note 3)	234	-	-	234
Deferred revenue:				
Succeeding year property tax	2,364,617	223,549	199,999	2,788,165
Other	300,604	42,943	-	343,547
Total liabilities	<u>3,278,232</u>	<u>350,408</u>	<u>202,611</u>	<u>3,831,251</u>
Fund balances:				
Restricted for:				
Categorical funding (note 11)	93,674	-	-	93,674
Revenue bonds reserve fund	-	58,000	-	58,000
Debt service	-	-	124,690	124,690
Management levy purposes	-	-	403,723	403,723
Student activities	-	-	93,104	93,104
School infrastructure	-	271,413	-	271,413
Physical plant and equipment	-	1,242,849	-	1,242,849
Assigned:				
Community grants	7,013	-	-	7,013
Unassigned	1,301,093	-	-	1,301,093
Total fund balances	<u>1,401,780</u>	<u>1,572,262</u>	<u>621,517</u>	<u>3,595,559</u>
Total liabilities and fund balances	<u>\$ 4,680,012</u>	<u>\$ 1,922,670</u>	<u>\$ 824,128</u>	<u>\$ 7,426,810</u>

See notes to financial statements.

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

Total fund balances of governmental funds	\$ 3,595,559
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,564,423
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	343,547
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(7,564)
Long-term liabilities, including bonds payable, compensated absences, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,637,977)</u>
Net position of governmental activities	<u>\$ 5,857,988</u>

See notes to financial statements.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

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

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,610,371	\$ 595,940	\$ 250,039	\$ 3,456,350
Tuition	131,279	-	-	131,279
Other	143,214	5,027	155,256	303,497
State sources	3,170,113	198,470	157	3,368,740
Federal sources	220,884	-	-	220,884
Total revenues	<u>6,275,861</u>	<u>799,437</u>	<u>405,452</u>	<u>7,480,750</u>
Expenditures:				
Current:				
Instruction	<u>4,050,715</u>	<u>222,767</u>	<u>264,673</u>	<u>4,538,155</u>
Support services:				
Student	222,048	-	1,500	223,548
Instructional staff	262,682	25,934	1,625	290,241
Administration	641,320	1,049	7,221	649,590
Operation and maintenance of plant	652,280	7,249	19,248	678,777
Transportation	352,474	38,217	24,121	414,812
	<u>2,130,804</u>	<u>72,449</u>	<u>53,715</u>	<u>2,256,968</u>
Non-instructional programs	-	-	3,900	3,900
Other expenditures:				
Facilities acquisition	-	398,085	-	398,085
Long term debt:				
Principal	-	-	380,809	380,809
Interest and fiscal charges	-	-	25,321	25,321
AEA flowthrough	255,398	-	-	255,398
	<u>255,398</u>	<u>398,085</u>	<u>406,130</u>	<u>1,059,613</u>
Total expenditures	<u>6,436,917</u>	<u>693,301</u>	<u>728,418</u>	<u>7,858,636</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(161,056)</u>	<u>106,136</u>	<u>(322,966)</u>	<u>(377,886)</u>

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

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

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):				
Compensation for loss of capital assets	\$ -	\$ 21,700	\$ -	\$ 21,700
Capital lease proceeds	-	189,988	-	189,988
Capital loan notes issued	-	1,225,000	-	1,225,000
Premium on capital loan notes issued	-	8,849	-	8,849
Interfund transfers in (note 4)	-	-	409,262	409,262
Interfund transfers out (note 4)	-	(409,262)	-	(409,262)
Total other financing sources (uses)	<u>-</u>	<u>1,036,275</u>	<u>409,262</u>	<u>1,445,537</u>
Net change in fund balances	(161,056)	1,142,411	86,296	1,067,651
Fund balances beginning of year	<u>1,562,836</u>	<u>429,851</u>	<u>535,221</u>	<u>2,527,908</u>
Fund balances end of year	<u>\$ 1,401,780</u>	<u>\$ 1,572,262</u>	<u>\$ 621,517</u>	<u>\$ 3,595,559</u>

See notes to financial statements.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds \$ 1,067,651

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

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

	Expenditures for capital assets	\$ 344,095	
	Depreciation expense	<u>(420,962)</u>	(76,867)

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is deferred in the governmental funds. It is, however, recorded as revenue in the Statement of Activities. 9,566

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. (1,414,988)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position 380,809

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (542)

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	(75,013)	
	Compensated absences	94,876	
	Net OPEB liability	<u>(26,000)</u>	<u>(6,137)</u>

Change in net position of governmental activities \$ (40,508)

See notes to financial statements.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUND

June 30, 2013

	<u>School Nutrition</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 9,036
Interfund receivable (note 3)	234
Inventories	6,970
Total current assets	<u>16,240</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation (note 5)	<u>32,493</u>
Total assets	<u>48,733</u>
Liabilities	
Current liabilities:	
Interfund payable (note 3)	10,000
Accounts payable	6
Salaries and benefits payable	482
Deferred revenue	4,522
Total current liabilities	<u>15,010</u>
Net Position	
Net investment in capital assets	32,493
Unrestricted	<u>1,230</u>
Total net position	<u>\$ 33,723</u>

See notes to financial statements.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2013

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>156,047</u>
Operating expenses:	
Support services:	
Purchased services	<u>836</u>
Non-instructional programs:	
Salaries	93,013
Benefits	37,892
Purchased services	245
Supplies	159,425
Depreciation	<u>6,289</u>
	<u>296,864</u>
Total expenses	<u>297,700</u>
Operating loss	(141,653)
Non-operating revenues:	
Interest on investments	47
State sources	2,400
Federal sources	<u>110,315</u>
Total non-operating revenues	<u>112,762</u>
Change in net position	(28,891)
Net position beginning of year	<u>62,614</u>
Net position end of year	\$ <u><u>33,723</u></u>

See notes to financial statements.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

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

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 153,768
Cash received from miscellaneous operating activities	1,868
Cash payments to employees for services	(131,047)
Cash payments to suppliers for goods or services	<u>(137,472)</u>
Net cash used by operating activities	<u>(112,883)</u>
Cash flows from non-capital financing activities:	
Increase in due to other funds	10,000
State grants received	2,400
Federal grants received	<u>88,236</u>
Net cash provided by non-capital financing activities	<u>100,636</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(1,324)</u>
Cash flows from investing activities:	
Interest on investments	<u>47</u>
Net increase in cash and cash equivalents	(13,524)
Cash and cash equivalents beginning of year	<u>22,560</u>
Cash and cash equivalents end of year	<u>\$ 9,036</u>

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

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

	<u>School Nutrition</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (141,653)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	6,289
Commodities used	22,472
Decrease in inventories	667
(Decrease) in accounts payable	(105)
(Decrease) in salaries and benefits payable	(142)
(Decrease) in deferred revenue	<u>(411)</u>
Net cash used by operating activities	<u>\$ (112,883)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$22,472 of federal commodities.

See notes to financial statements.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2013

	<u>Agency</u>
Assets:	
Cash and pooled investments	\$ <u>100</u>
Liabilities:	
Other payables	<u>100</u>
Net position:	
None	\$ <u><u>-</u></u>

See notes to financial statements.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies

Gladbrook-Reinbeck Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Gladbrook and Reinbeck, Iowa, and agricultural territory in Black Hawk, Grundy, Marshall and Tama 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, Gladbrook-Reinbeck 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. Gladbrook-Reinbeck 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 Grundy County and Tama County Assessors' Conference Boards.

B. Basis of Presentation

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

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

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

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

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

The District reports the following major governmental funds:

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

The 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 nonmajor proprietary fund:

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

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

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

Interfund Receivables (Payables) – During the year, the District has certain transactions between funds. Those transactions are shown as interfund receivables and payables to the extent that those transactions are not yet repaid by year end.

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.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	25,000
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	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

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

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

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

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Compensated Absences – District employees accumulate a limited amount of earned but unused sick leave for subsequent use or for payment upon retirement. The sick leave is paid upon retirement only when the employee has reached IPERS retirement age. The maximum payout will be limited to \$25/day up to a 105 day maximum. 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 compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

Assigned – Amounts the Board of Education intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Control

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

Note 2. Cash and Pooled Investments

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

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

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 2. Cash and Pooled Investments (continued)

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

	Amortized Cost
Diversified Portfolio	\$ <u>514</u>

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

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

Note 3. Interfund Receivables (Payables)

At June 30, 2013, the District had the following interfund receivables and payables:

Receivable Fund	Payable Fund	Amount
General Fund	Proprietary Fund, School Nutrition	\$ 10,000
Proprietary Fund, School Nutrition	General Fund	<u>234</u>
		<u>\$ 10,234</u>

The amount receivable by the General Fund is due to a \$10,000 interfund loan to the Proprietary Fund, School Nutrition. The remaining amounts arise from interfund services.

Note 4. Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ <u>409,262</u>

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

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 37,965	\$ -	\$ -	\$ 37,965
Construction in progress	169,130	176,783	197,479	148,434
Total capital assets not being depreciated	<u>207,095</u>	<u>176,783</u>	<u>197,479</u>	<u>186,399</u>
Capital assets being depreciated:				
Buildings	6,318,525	304,879	-	6,623,404
Improvements other than buildings	624,279	12,588	-	636,867
Furniture and equipment	2,158,814	47,324	43,800	2,162,338
Total capital assets being depreciated	<u>9,101,618</u>	<u>364,791</u>	<u>43,800</u>	<u>9,422,609</u>
Less accumulated depreciation for:				
Buildings	2,796,750	160,032	-	2,956,782
Improvements other than buildings	433,761	12,231	-	445,992
Furniture and equipment	1,436,912	248,699	43,800	1,641,811
Total accumulated depreciation	<u>4,667,423</u>	<u>420,962</u>	<u>43,800</u>	<u>5,044,585</u>
Total capital assets being depreciated, net	<u>4,434,195</u>	<u>(56,171)</u>	<u>-</u>	<u>4,378,024</u>
Governmental activities capital assets, net	<u>\$ 4,641,290</u>	<u>\$ 120,612</u>	<u>\$ 197,479</u>	<u>\$ 4,564,423</u>
Business-type activities:				
Furniture and equipment	\$ 129,152	\$ 1,324	\$ -	\$ 130,476
Less accumulated depreciation	91,694	6,289	-	97,983
Business-type activities capital assets, net	<u>\$ 37,458</u>	<u>\$ (4,965)</u>	<u>\$ -</u>	<u>\$ 32,493</u>

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 174,542

Support services:

Administration 10,823

Operation and maintenance of plant 7,228

Transportation 96,207

288,800

Unallocated depreciation 132,162

Total depreciation expense - governmental activities \$ 420,962

Business-type activities:

Food service operations \$ 6,289

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 6. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 226,260	\$ 153,135	\$ 78,122	\$ 301,273	\$ 75,291
Revenue bonds	355,000	-	115,000	240,000	120,000
Economic development loan	225,000	-	30,000	195,000	30,000
Capital loan notes	215,000	1,225,000	105,000	1,335,000	110,000
Capital lease	164,889	189,988	130,809	224,068	129,115
Compensated absences	159,512	18,364	113,240	64,636	14,866
Net OPEB liability	252,000	26,000	-	278,000	-
Total	\$ 1,597,661	\$ 1,612,487	\$ 572,171	\$ 2,637,977	\$ 479,272

Early Retirement

The District offered a voluntary early retirement plan to its certified employees for the year ended June 30, 2013. Eligible employees must be at least age fifty-five and certified employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement benefit for each eligible employee will be \$10,000 cash stipend plus paid health insurance for eight years, or until the retiree becomes Medicare eligible (capped at \$7,000 for the District's contribution for each year). The early retirement cash stipend will be paid in October following the start of retirement.

The District offered other early retirement plans in prior years. Details of those plans are available upon request at the administration office.

At June 30, 2013, the District had obligations to eleven participants with a total liability of \$301,273. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$78,122. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2013

Note 6. Long-Term Liabilities (continued)

Revenue Bonds

Details of the District's June 30, 2013 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 120,000	\$ 6,600	\$ 126,600
2015	120,000	2,250	122,250
	<u>\$ 240,000</u>	<u>\$ 8,850</u>	<u>\$ 248,850</u>

The District pledged future local option (statewide) sales and services tax revenues to repay the \$580,000 bonds issued in August 2009. The bonds were issued for the purpose of financing a school bus purchase and athletic field and concession stand upgrades. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are payable through 2015. The bonds are not a general obligation of the District and the debt is not subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 24 percent of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$248,850. For the current year, principal of \$115,000 and interest of \$10,569 was paid on the bonds and total statewide sales and services tax revenues were \$530,661

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$58,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principle and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purposes.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 6. Long-Term Liabilities (continued)

Rural Economic Development Loan Agreement

On November 24, 2009, the District issued a \$300,000 rural economic development loan agreement. The loan is an interest-free promissory note which calls for quarterly payments of \$7,500 through December, 2019.

Details of the District's June 30, 2013 rural economic development loan agreement indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2014	\$ 30,000
2015	30,000
2016	30,000
2017	30,000
2018	30,000
2019	30,000
2020	<u>15,000</u>
	<u>\$ 195,000</u>

The rural economic development loan agreement is payable primarily from the District's local option (statewide) sales and services tax revenues.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 6. Long-Term Liabilities (continued)

Capital Loan Note

During the year ended June 30, 2013, the District issued \$1,225,000 in general obligation school capital loan notes. The notes are payable through the year ended June 30, 2024 and have interest rates ranging from 1.00% to 1.80%.

Details of the District's June 30, 2013 capital loan note indebtedness are as follows:

Year End June 30,	Capital Loan Note Issued July 1, 2004			Capital Loan Note Issued May 9, 2013			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2014	4.300 %	\$ 110,000	\$ 4,730	1.000 %	\$ -	\$ 15,959	\$ 110,000	\$ 20,689
2015		-	-	1.000	115,000	15,040	115,000	15,040
2016		-	-	1.000	120,000	13,890	120,000	13,890
2017		-	-	1.000	120,000	12,690	120,000	12,690
2018		-	-	1.000	120,000	11,490	120,000	11,490
2019		-	-	1.000	120,000	10,290	120,000	10,290
2020		-	-	1.050	125,000	9,090	125,000	9,090
2021		-	-	1.250	125,000	7,778	125,000	7,778
2022		-	-	1.450	125,000	6,215	125,000	6,215
2023		-	-	1.650	125,000	4,402	125,000	4,402
2024		-	-	1.800	130,000	2,340	130,000	2,340
		<u>\$ 110,000</u>	<u>\$ 4,730</u>		<u>\$ 1,225,000</u>	<u>\$ 109,184</u>	<u>\$ 1,335,000</u>	<u>\$ 113,914</u>

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 6. Long-Term Liabilities (continued)

Capital Lease

During the year ended June 30, 2013, the District entered into a capital lease purchase agreement for the purchase of computers totaling \$189,989. The lease calls for annual payments of \$49,623 through the year ended June 30, 2016.

During the year ended June 30, 2011, the District entered into a capital lease agreement for the purchase of computers totaling \$329,932. The lease calls for annual payments of \$86,298 through the year ended June 30, 2014.

Details of the District's June 30, 2013 capital lease indebtedness are as follows:

Year End June 30,	Capital Lease Issued June 27, 2011			Capital Lease Issued May 4, 2013			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2014	3.1004 %	\$ 83,703	\$ 2,595	3.0000 %	\$ 45,412	\$ 4,211	\$ 129,115	\$ 6,806
2015		-	-	3.0000	46,775	2,848	46,775	2,848
2016		-	-	3.0000	48,178	1,445	48,178	1,445
		<u>\$ 83,703</u>	<u>\$ 2,595</u>		<u>\$ 140,365</u>	<u>\$ 8,504</u>	<u>\$ 224,068</u>	<u>\$ 11,099</u>

Note 7. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 88 active and 11 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with United Healthcare. 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.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 7. Other Postemployment Benefits (OPEB) (continued)

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

Annual required contribution	\$ 140,290
Interest on net OPEB obligation	11,340
Adjustment to annual required contribution	<u>(13,979)</u>
Annual OPEB cost	137,651
Contributions made	<u>111,651</u>
Increase in net OPEB obligation	26,000
Net OPEB obligation beginning of year	<u>252,000</u>
Net OPEB obligation end of year	<u><u>\$ 278,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$111,651 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 as of June 30, 2013 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 214,234	60.3%	\$ 85,129
June 30, 2011	214,324	60.3%	170,733
June 30, 2012	210,265	61.4%	252,000
June 30, 2013	137,651	81.1%	278,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1,168,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,168,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,729,000, and the ratio of the UAAL to covered payroll was 31.3%. As of June 30, 2013, there were no trust fund assets.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 7. Other Postemployment Benefits (OPEB) (continued)

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

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

As of the July 1, 2012 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 7%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the 2004 United States Life Tables, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from GASB Statement number 45.

Projected claim costs of the medical plan are \$472 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level dollar amount on an open basis over 30 years.

Note 8. Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered payroll for the year ended June 30, 2013. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$311,617, \$250,399, and \$213,693, respectively, equal to the required contributions for each year.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 9. Risk Management

Gladbrook-Reinbeck 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 \$255,398 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Categorical Funding

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

Program	Amount
Professional development for model core curriculum	33,809
Gifted and talented programs	\$ 23,189
Home school assistance program	14,602
Professional development	11,645
Market factor incentives	10,429
Total	\$ 93,674

Note 12. Construction Commitments

The District has entered into a contract totaling \$132,049 for a boiler replacement project. As of June 30, 2013, costs of \$83,205 had been incurred against the contract. The balance of \$48,844 remaining at June 30, 2013 will be paid as work on the project progresses.

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Required Supplementary Information

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year Ended June 30, 2013

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 3,891,126	\$ 156,094	\$ 4,047,220	\$ 4,282,334	\$ 4,282,334	\$ (235,114)
State sources	3,368,740	2,400	3,371,140	3,202,710	3,202,710	168,430
Federal sources	220,884	110,315	331,199	280,000	280,000	51,199
Total revenues	7,480,750	268,809	7,749,559	7,765,044	7,765,044	(15,485)
EXPENDITURES/EXPENSES:						
Instruction	4,538,155	-	4,538,155	5,010,000	5,010,000	471,845
Support services	2,256,968	836	2,257,804	2,319,000	2,319,000	61,196
Non-instructional programs	3,900	296,864	300,764	303,000	303,000	2,236
Other expenditures	1,059,613	-	1,059,613	928,439	1,928,439	868,826
Total expenditures/expenses	7,858,636	297,700	8,156,336	8,560,439	9,560,439	1,404,103
Excess (deficiency) of revenues over (under) expenditures/ expenses	(377,886)	(28,891)	(406,777)	(795,395)	(1,795,395)	1,388,618
Other financing sources, net	1,445,537	-	1,445,537	-	-	1,445,537
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	1,067,651	(28,891)	1,038,760	(795,395)	(1,795,395)	2,834,155
Balance beginning of year	2,527,908	62,614	2,590,522	2,390,079	2,390,079	200,443
Balance end of year	<u>\$ 3,595,559</u>	<u>\$ 33,723</u>	<u>\$ 3,629,282</u>	<u>\$ 1,594,684</u>	<u>\$ 594,684</u>	<u>\$ 3,034,598</u>

See accompanying independent auditor's report.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

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

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$1,000,000.

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

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)

Required Supplementary Information
Year Ended June 30, 2013

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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	January 1, 2010	\$ -	\$ 1,950	\$ 1,950	0.0%	\$ 2,602	74.9%
2011	January 1, 2010	-	1,950	1,950	0.0%	2,788	69.9%
2012	January 1, 2010	-	1,950	1,950	0.0%	3,160	61.7%
2013	January 1, 2013	-	1,168	1,168	0.0%	3,729	31.3%

See note 7 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

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	<u>Special Revenue</u>		<u>Debt Service</u>	<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>		
Assets				
Cash and pooled investments	\$ 402,331	\$ 93,524	\$ 124,690	\$ 620,545
Receivables:				
Property tax:				
Current year	3,132	-	-	3,132
Succeeding year	199,999	-	-	199,999
Accrued interest	-	64	-	64
Accounts	-	388	-	388
	<hr/>			
Total assets	<u>\$ 605,462</u>	<u>\$ 93,976</u>	<u>\$ 124,690</u>	<u>\$ 824,128</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,740	\$ 590	\$ -	\$ 2,330
Salaries and benefits payable	-	282	-	282
Deferred revenue:				
Succeeding year property tax	199,999	-	-	199,999
Total liabilities	<u>201,739</u>	<u>872</u>	<u>-</u>	<u>202,611</u>
Fund balances:				
Restricted for:				
Debt service	-	-	124,690	124,690
Management levy purposes	403,723	-	-	403,723
Student activities	-	93,104	-	93,104
Total fund balances	<u>403,723</u>	<u>93,104</u>	<u>124,690</u>	<u>621,517</u>
	<hr/>			
Total liabilities and fund balances	<u>\$ 605,462</u>	<u>\$ 93,976</u>	<u>\$ 124,690</u>	<u>\$ 824,128</u>

See accompanying independent auditor's report.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

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

	Special Revenue		Debt Service	Total
	Management Levy	Student Activity		
Revenues:				
Local sources:				
Local tax	\$ 250,039	\$ -	\$ -	\$ 250,039
Other	8,197	146,823	236	155,256
State sources	157	-	-	157
Total revenues	<u>258,393</u>	<u>146,823</u>	<u>236</u>	<u>405,452</u>
Expenditures:				
Current:				
Instruction	111,991	152,682	-	264,673
Support services:				
Student	1,500	-	-	1,500
Instructional staff	1,625	-	-	1,625
Administration	7,221	-	-	7,221
Operation and maintenance of plant	19,248	-	-	19,248
Transportation	24,121	-	-	24,121
Non-instructional programs	3,900	-	-	3,900
Other expenditures:				
Long term debt:				
Principal	-	-	380,809	380,809
Interest and fiscal charges	-	-	25,321	25,321
Total expenditures	<u>169,606</u>	<u>152,682</u>	<u>406,130</u>	<u>728,418</u>
Excess (deficiency) of revenues over (under) expenditures	88,787	(5,859)	(405,894)	(322,966)
Other financing sources (uses):				
Interfund transfers in	-	-	409,262	409,262

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2013

	<u>Special Revenue</u>			<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Debt Service</u>	
Net change in fund balances	\$ 88,787	\$ (5,859)	\$ 3,368	\$ 86,296
Fund balances beginning of year	<u>314,936</u>	<u>98,963</u>	<u>121,322</u>	<u>535,221</u>
Fund balances end of year	<u>\$ 403,723</u>	<u>\$ 93,104</u>	<u>\$ 124,690</u>	<u>\$ 621,517</u>

See accompanying independent auditor's report.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2013

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 95,748	\$ 1,310,276	\$ 1,406,024
Receivables:			
Property tax:			
Current year	-	2,663	2,663
Succeeding year	-	223,549	223,549
Income surtax	-	42,943	42,943
Due from other governments	247,491	-	247,491
 Total assets	 \$ 343,239	 \$ 1,579,431	 \$ 1,922,670
 Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 13,826	\$ 70,090	\$ 83,916
Deferred revenue:			
Succeeding year property tax	-	223,549	223,549
Other	-	42,943	42,943
Total liabilities	13,826	336,582	350,408
 Fund balances:			
Restricted for:			
Revenue bonds reserve fund	58,000	-	58,000
School infrastructure	271,413	-	271,413
Physical plant and equipment	-	1,242,849	1,242,849
Total fund balances	329,413	1,242,849	1,572,262
 Total liabilities and fund balances	 \$ 343,239	 \$ 1,579,431	 \$ 1,922,670

See accompanying independent auditor's report.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

CAPITAL PROJECTS ACCOUNTS

Year Ended June 30, 2013

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 332,331	\$ 263,609	\$ 595,940
Other	1,762	3,265	5,027
State sources	198,330	140	198,470
Total revenues	<u>532,423</u>	<u>267,014</u>	<u>799,437</u>
Expenditures:			
Current:			
Instruction	199,633	23,134	222,767
Support services:			
Instructional staff	17,066	8,868	25,934
Administration	1,049	-	1,049
Operation and maintenance of plant	-	7,249	7,249
Transportation	-	38,217	38,217
Other expenditures:			
Facilities acquisition	132,723	265,362	398,085
Total expenditures	<u>350,471</u>	<u>342,830</u>	<u>693,301</u>
Excess (deficiency) of revenues over (under) expenditures	181,952	(75,816)	106,136
Other financing sources (uses):			
Compensation for loss of capital assets	189,988	-	189,988
Capital lease proceeds	-	1,225,000	1,225,000
Capital loan notes issued	-	21,700	21,700
Premium on notes issued	-	8,849	8,849
Interfund transfers out	(294,622)	(114,640)	(409,262)
Total other financing sources (uses)	<u>(104,634)</u>	<u>1,140,909</u>	<u>1,036,275</u>
Net change in fund balances	77,318	1,065,093	1,142,411
Fund balances beginning of year	<u>252,095</u>	<u>177,756</u>	<u>429,851</u>
Fund balances end of year	<u>\$ 329,413</u>	<u>\$ 1,242,849</u>	<u>\$ 1,572,262</u>

See accompanying independent auditor's report.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

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

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama	\$ 4,485	\$ 1,492	\$ 2,084	\$ 3,893
Vocal Music	2,053	1,280	1,462	1,871
High School Music Fundraiser	7,276	3,189	1,733	8,732
Instrumental Music	1,602	790	394	1,998
Band Fundraisers	4,849	3,711	1,789	6,771
General Athletics	-	1,480	1,480	-
Cross Country	-	1,442	1,442	-
Golf	-	1,363	1,363	-
Boys Basketball	-	8,338	8,338	-
Boys Basketball Fundraiser	1,079	831	-	1,910
Football	17,478	15,178	28,106	4,550
Soccer	547	4,058	4,604	1
Baseball	-	8,008	8,008	-
Boys Track	-	3,249	3,249	-
Wrestling	-	2,771	2,771	-
Girls Basketball	-	4,311	3,570	741
Volleyball	186	4,275	4,461	-
Softball	-	2,898	2,727	171
Girls Track	-	745	745	-
Activity Tickets	1,475	1,200	178	2,497
Special Olympics Fundraiser	-	275	58	217
Athletic resale	-	421	421	-
Cheerleaders	288	2,457	1,386	1,359
Class of 2010	134	-	-	134
Class of 2012	625	-	-	625
Class of 2013	6,440	1,553	7,614	379
Class of 2014	1,255	15,730	12,858	4,127
Class of 2015	680	910	-	1,590
Class of 2016	-	540	-	540
FFA	7,224	26,120	24,062	9,282
Foreign Friends	399	-	-	399
Peer Helper	416	-	-	416
Interest from Investments	4,136	-	2,221	1,915
National Honor Society	8	208	204	12
Resale	15	-	-	15
Student Council - High School	3,823	4,137	4,755	3,205
SADD	469	32	-	501
Yearbook	8,148	5,745	7,098	6,795
Art Club	103	-	-	103

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

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

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Baseball Fundraiser	\$ 2	\$ -	\$ -	2
Speech	-	2,366	1,493	873
Girls Basketball Fundraiser	1,755	-	-	1,755
Renovation Club	402	-	-	402
Weight Room Fundraiser	3,448	-	2,359	1,089
Elementary Student Council:				
Reinbeck	438	300	144	594
Gladbrook	434	40	-	474
Middle School:				
Activities	9,912	8,399	6,124	12,187
Pictures	4,769	1,122	-	5,891
Student Council	2,213	5,605	3,357	4,461
SADD	397	254	24	627
Total	\$ 98,963	\$ 146,823	\$ 152,682	\$ 93,104

See accompanying independent auditor's report.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2013

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ <u>5,360</u>	\$ <u>10,725</u>	\$ <u>15,985</u>	\$ <u>100</u>
Liabilities				
Other payables	\$ <u>5,360</u>	\$ <u>10,725</u>	\$ <u>15,985</u>	\$ <u>100</u>

See accompanying independent auditor's report.

GLADBROOK-REINBECK 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,			
	2013	2012	2011	2010
Revenues:				
Local sources:				
Local tax	\$ 3,456,350	\$ 3,716,683	\$ 3,898,758	\$ 3,592,963
Tuition	131,279	78,438	58,932	76,427
Other	303,497	418,467	437,049	422,230
State sources	3,368,740	3,259,835	3,187,151	2,822,386
Federal sources	220,884	183,622	353,136	551,219
Total revenues	\$ 7,480,750	\$ 7,657,045	\$ 7,935,026	\$ 7,465,225
Expenditures:				
Instruction	\$ 4,538,155	\$ 4,330,799	\$ 4,670,677	\$ 4,375,258
Support services:				
Student	223,548	166,122	149,392	176,175
Instructional staff	290,241	276,537	290,834	145,290
Administration	649,590	571,257	596,373	635,466
Operation and maintenance of plant	678,777	634,073	629,697	620,299
Transportation	414,812	454,899	368,668	663,933
Community services	-	-	-	-
Non-instructional programs	3,900	23,000	9,195	7,729
Other expenditures:				
Facilities acquisition	398,085	386,381	271,904	1,046,784
Long-term debt:				
Principal	380,809	323,745	321,298	110,000
Interest and fiscal charges	25,321	35,456	34,795	28,583
AEA flowthrough	255,398	265,371	298,467	298,097
Total expenditures	\$ 7,858,636	\$ 7,467,640	\$ 7,641,300	\$ 8,107,614

See accompanying independent auditor's report.

	2009	2008	2007	2006	2005	2004
\$	3,301,862	\$ 3,220,809	\$ 2,705,618	\$ 2,544,087	\$ 2,443,168	\$ 2,370,297
	52,019	61,136	56,419	75,557	78,384	41,013
	386,375	399,272	976,275	811,821	730,214	383,198
	3,589,336	3,563,399	3,539,946	3,365,496	3,352,753	3,168,920
	162,703	162,732	172,674	196,114	185,852	165,724
\$	<u>7,492,295</u>	<u>7,407,348</u>	<u>7,450,932</u>	<u>6,993,075</u>	<u>6,790,371</u>	<u>6,129,152</u>
\$	4,566,942	\$ 4,291,518	\$ 4,314,718	\$ 4,062,396	\$ 4,085,573	\$ 3,958,770
	135,769	113,194	137,450	129,810	141,722	141,964
	211,362	217,425	194,469	266,090	248,330	178,931
	656,251	720,135	705,781	661,661	637,462	596,304
	652,443	631,931	541,213	602,178	637,242	574,196
	423,045	365,011	333,388	523,899	402,708	375,124
	823	895	806	850	869	2,812
	775	625	565	1,705	35,291	30,183
	567,663	489,713	158,435	293,935	1,012,368	109,726
	90,000	85,000	85,000	85,000	80,000	-
	23,920	26,640	28,905	31,145	29,976	-
	263,372	256,911	251,550	235,401	235,863	238,663
\$	<u>7,592,365</u>	<u>7,198,998</u>	<u>6,752,280</u>	<u>6,894,070</u>	<u>7,547,404</u>	<u>6,206,673</u>

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Gladbrook-Reinbeck Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Gladbrook-Reinbeck Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 23, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Gladbrook-Reinbeck 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 Gladbrook-Reinbeck Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Gladbrook-Reinbeck Community School District's internal control over financial reporting.

A deficiency in internal control 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 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 that a material misstatement of the District's financial statements 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 that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in part I of the accompanying Schedule of Findings as items I-A-13 and I-B-13 that we consider to be significant deficiencies.

Compliance and Other Matters

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

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

Gladbrook-Reinbeck Community School District's Responses to Findings

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

Purpose of this Report

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

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

Oskaloosa, Iowa
October 23, 2013

Hunt + Associates, P.C.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

I-A-13 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. For the General, Debt Service and Capital Projects Funds the same individual can open mail, prepare the receipt, make bank deposits, do data entry and perform the bank reconciliation. Also, most payroll functions are performed by the same individual.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However a control for receipts would have a second individual open the mail and prepare an initial listing of the checks received and later compare to the actual deposits. A compensating control for payroll would have someone independent of the system review the monthly payroll warrant listing and monthly direct deposit listing.

Response – A large percentage of the total receipts in the General, Debt Service and Capital Projects Funds are now electronic remittances, thus we are less concerned about the remaining small receipts due to cost-effectiveness. We will try to incorporate the review of the monthly payroll warrant listing and direct deposit listing by an individual independent from payroll. It was done on several occasions during the fiscal year but we will try to be more consistent with this procedure in the future.

Conclusion – Response accepted.

I-B-13 Financial Controls – We noted in our testing of receipts that the District did not require any reconciliations for fundraisers held by Special Revenue Fund, Student Activity clubs until February, 2013.

Recommendation – The District now has an unofficial fundraiser reconciliation requirement. However, the District should adopt a policy which requires that all clubs who have a fundraiser prepare a reconciliation of total receipts to deposits and to the related expenditures. The reconciliation should have documentation of the profit margin expected and an explanation for any shortfalls. This process helps protect the underlying assets and serves as a control over possible irregularities in the fundraiser process. All fundraisers should be pre-approved by the Board of Education.

Response – We will look into adopting a policy regulating fundraiser activities which will strengthen our informal policy.

Conclusion – Response accepted.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

Part II: Other Findings Related to Statutory Reporting:

- II-A-13 Certified Budget – Expenditures for the year ended June 30, 2013, did not exceed the amounts budgeted.
- II-B-13 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-C-13 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-13 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Trunck’s Country Foods, Owned by Darren Trunck, coach	Supplies	\$7,021
Cooley Pumping and Cooley Sanitation, owned by spouse of Board Member Deb Cooley	Services	\$9,117
Turfmaster, owned by Jeff Charley, teacher	Services	\$13,305
Andrea Rowe, spouse of Board Member Douglas Rowe	Teaching	\$54,743
Donna Cooley, mother-in-law of Board Member Deb Cooley	Services	\$813

The transactions with the spouse of Board Member Deb Cooley do not appear to represent a conflict of interest in violation section 279.7A of the Code of Iowa limiting a director’s interest in a contract to \$2,500 per year since the contract was competitively bid and Board Member Cooley abstained from the vote for approval of the contract. The transactions with the spouse of Board Member Rowe does not represent a conflict of interest according to an Attorney General’s opinion dated November 9, 1976 relating to the employment of spouses in teaching contracts. All other transactions appear to be arms-length transactions and in compliance with Sections 279.7A and 301.28 of the Code of Iowa.

- II-E-13 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-13 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

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

- II-G-13 Certified Enrollment – We noted an overclaim of one student and an underclaim of one student in the basic enrollment data certified to the Department of Education for Fall 2012 due to residency errors.
- Recommendation – The District should contact the Department of Education and Department of Management regarding these errors.
- Response – We will take the necessary actions regarding these errors.
- Conclusion – Response accepted.
- II-H-13 Supplementary Weighting – We noted one variance regarding the supplementary weighting certified to the Iowa Department of Education. This variance related to supplementary weighting for language courses which lacked full accreditation and resulted in an overstatement to supplementary weighting of .16 students.
- Recommendation – The District should contact the Iowa Departments of Education and Management to determine the disposition of this error.
- Response – We will contract the necessary departments and make the proper adjustments to our supplementary weighting.
- Conclusion – Response accepted.
- II-I-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-13 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.
- II-K-13 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-13 Statewide Sales and Services Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.
- Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

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

II-L-13 Statewide Sales and Services Tax (continued)

Beginning balance		\$	252,095
Revenues:			
Sales tax revenues	\$	332,331	
Interest		1,762	
School infrastructure supplemental amount		198,330	
Issuance of long-term debt		<u>189,988</u>	722,411
Expenditures/transfers out:			
School infrastructure construction		132,723	
Equipment		217,748	
Transfers to other funds:			
Debt Service Fund		<u>294,622</u>	<u>645,093</u>
Ending balance		\$	<u><u>329,413</u></u>

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