

**GILMORE CITY-BRADGATE COMMUNITY SCHOOL DISTRICT  
GILMORE CITY, IOWA**

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

**YEAR ENDED JUNE 30, 2014**

## Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor’s Report		2-4
Management’s Discussion and Analysis		5-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	16-17
Statement of Activities	B	18-19
Governmental Fund Financial Statements:		
Balance Sheet	C	20-21
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	22
Statement of Revenues, Expenditures and Changes in Fund Balances	E	23-24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	25
Proprietary Fund Financial Statements:		
Statement of Net Position	G	26
Statement of Revenues, Expenses and Changes in Fund Net Position	H	27
Statement of Cash Flows	I	28-29
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	30
Statement of Changes in Fiduciary Net Position	K	31
Notes to Financial Statements		32-47
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/ Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund		48-49
Notes to Required Supplementary Information - Budgetary Reporting		50
Schedule of Funding Progress for the Retiree Health Plan		51

## Table of Contents

	<u>Schedule</u>	<u>Page</u>
Supplementary Information:		
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	1	52
Capital Project Accounts:		
Combining Balance Sheet	2	53
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	3	54
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	4	55-56
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 <u>Government Auditing Standards</u>		57-58
Schedule of Findings		60-64

Gilmore City-Bradgate Community School District  
 Gilmore City, Iowa

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education**

**(Before September 2013 Election)**

Ron Warren	President	2013
Deb Lanus	Vice President	2015
Tawny Hoover	Board Member	2015
Beau Jergens	Board Member	2013
Judy Marchant	Board Member	2013

**(After September 2013 Election)**

Ron Warren	President	(Resigned November) 2017
Deb Lanus	President	(Beginning December) 2015
Deb Lanus	Vice President	(Through November) 2015
Tawny Hoover	Vice President	(Beginning December) 2015
Marsha Hubben	Board Member	(Appointed December) 2017
Beau Jergens	Board Member	2017
Judy Marchant	Board Member	2017

**School Officials**

Jeff Herzberg	Superintendent	2014
Julie Dickey	District Secretary/Treasurer Business Manager	2014
Rick Engel	Attorney	Indefinite

# Cornwell, Frideres, Maher & Associates, P.L.C.

## Certified Public Accountants

714 14th Avenue North  
Fort Dodge, IA 50501-7098  
Phone 515.955.4805 • Fax 515.955.4673

Lowell W. Cornwell, C.P.A.  
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.  
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.  
jjmaher@frontiernet.net

### Independent Auditor's Report

To the Board of Education of  
Gilmore City-Bradgate 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 Gilmore City-Bradgate Community School District, Gilmore City, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Gilmore City-Bradgate Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### Other 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 5 through 15 and 48 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gilmore City-Bradgate 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 year ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. Other auditors 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 unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

#### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 9, 2015 on our consideration of Gilmore City-Bradgate Community School District's internal control over financial reporting and 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 Gilmore City-Bradgate Community School District's internal control over financial reporting and compliance.

*Cornwell, Frideres, Maher & Associates, P.L.C.*

Cornwell, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

March 9, 2015

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Gilmore City-Bradgate 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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2014 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$1,349,911 in fiscal year 2013 to \$1,512,487 in fiscal year 2014, while General Fund expenditures decreased from \$1,515,519 in fiscal year 2013 to \$1,418,148 in fiscal year 2014. The District's General Fund balance increased from \$102,959 at the end of fiscal year 2013 to \$197,298 at the end of fiscal year 2014, a 92% increase.
- The fiscal year 2014 General Fund revenue increase was attributable to increases in local taxes, tuition and state revenue. The decrease in expenditures was due primarily to a decrease in administration costs. As a result, the District was able to increase fund balance.

### **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 Gilmore City-Bradgate 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 Gilmore City-Bradgate Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Gilmore City-Bradgate 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 nonmajor governmental funds.

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

**Figure A-1**  
**Gilmore City-Bradgate Community School District Annual Financial Report**

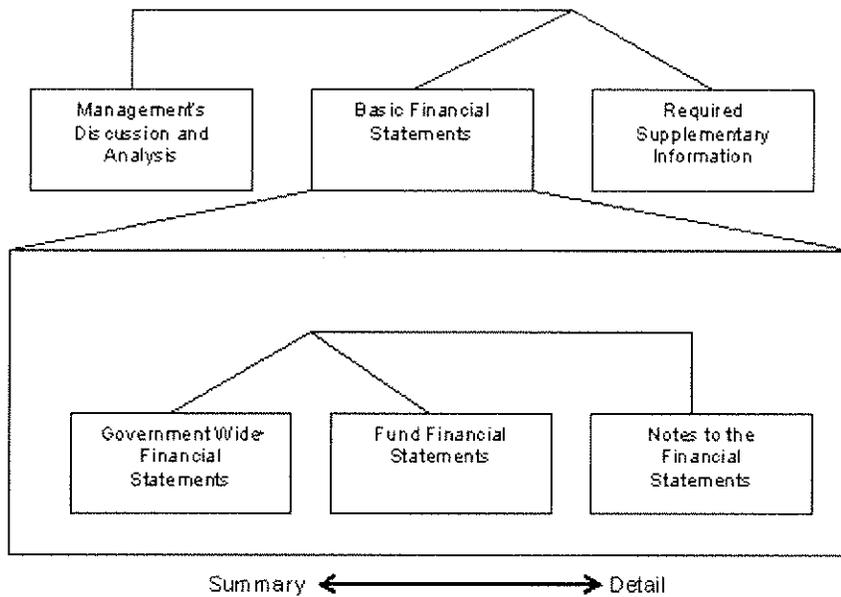


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

**Figure A-2  
Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
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, 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. 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 it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is 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 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, the Special Revenue Funds, and the 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's Enterprise Fund includes the School Nutrition Fund and the Day Care Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund 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 Private-Purpose Trust and Agency Funds.

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

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

The required financial statements for fiduciary funds 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 governmental fund financial statements follow the governmental fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

**Figure A-3**  
**Condensed Statement of Net Position**  
**(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$ 2,565	2,285	6	4	2,571	2,289	12.3%
Capital assets	524	498	---	---	524	498	5.2%
Total assets	<u>3,089</u>	<u>2,783</u>	<u>6</u>	<u>4</u>	<u>3,095</u>	<u>2,787</u>	<u>11.1%</u>
Long-term liabilities	171	205	---	---	171	205	-16.6%
Other liabilities	112	44	13	6	125	50	150.0%
Total liabilities	<u>283</u>	<u>249</u>	<u>13</u>	<u>6</u>	<u>296</u>	<u>255</u>	<u>16.1%</u>
Deferred inflows of resources	<u>1,027</u>	<u>886</u>	<u>---</u>	<u>---</u>	<u>1,027</u>	<u>886</u>	<u>15.9%</u>
Net position:							
Net investment in capital assets	524	498	---	---	524	498	5.2%
Restricted	1,074	1,047	---	---	1,074	1,047	2.6%
Unrestricted	<u>181</u>	<u>103</u>	<u>(7)</u>	<u>(2)</u>	<u>174</u>	<u>101</u>	<u>72.3%</u>
Total net position	<u>\$ 1,779</u>	<u>1,648</u>	<u>(7)</u>	<u>(2)</u>	<u>1,772</u>	<u>1,646</u>	<u>7.7%</u>

The District's total net position increased 8%, or approximately \$126,000 from the prior year. A portion of the District's net position is 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 resources 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 approximately \$27,000 or 3% from the prior year. The increase was primarily a result of an increase in unspent management levy funds.

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 – increased approximately \$73,000 or 72%. This increase in unrestricted net position was a result of the District's revenues exceeding expenditures.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

**Figure A-4**  
**Changes in Net Position**  
**(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for service	\$ 60	51	109	107	169	158	7.0%
Operating grants, contributions and restricted interest	282	258	61	63	343	321	6.9%
Capital grants, contributions And restricted interest	4	---	---	---	4	---	100.0%
General revenues:							
Property tax	872	898	---	---	872	898	-2.9%
Statewide sales, services and use tax	84	117	---	---	84	117	-28.2%
Income surtax	110	61	---	---	110	61	80.3%
Unrestricted state grants	315	317	---	---	315	317	-0.6%
Unrestricted investment earnings	2	3	---	---	2	3	-33.3%
Other	11	9	6	2	17	11	54.5%
Total revenues	<u>1,740</u>	<u>1,714</u>	<u>176</u>	<u>172</u>	<u>1,916</u>	<u>1,886</u>	<u>1.6%</u>
Program expenses:							
Instruction	982	1,203	---	---	982	1,203	-18.4%
Support services	446	538	7	5	453	543	-16.6%
Non-instructional programs	6	4	174	174	180	178	1.1%
Other expenses	175	142	---	---	175	142	23.2%
Total expenses	<u>1,609</u>	<u>1,887</u>	<u>181</u>	<u>179</u>	<u>1,790</u>	<u>2,066</u>	<u>-13.4%</u>
Increase (decrease) in net position	131	(173)	(5)	(7)	126	(180)	170.0%
Net position beginning of year	<u>1,648</u>	<u>1,821</u>	<u>(2)</u>	<u>5</u>	<u>1,646</u>	<u>1,826</u>	<u>-9.9%</u>
Net position end of year	\$ <u>1,779</u>	<u>1,648</u>	<u>(7)</u>	<u>(2)</u>	<u>1,772</u>	<u>1,646</u>	<u>7.7%</u>

In fiscal year 2014, property tax and unrestricted state grants account for 68.2% of governmental activities revenue while charges for service and operating grants and contributions account for 96.6% of the revenue from business type activities.

The District's total revenues were approximately \$1.9 million, of which approximately \$1.7 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.6% increase in revenues and a 13.4% decrease in expenses.

## Governmental Activities

Revenues for governmental activities were \$1,739,969 and expenses were \$1,609,135 for the year ended June 30, 2014. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

**Figure A-5**  
**Total and Net Cost of Governmental Activities**  
**(Expressed in Thousands)**

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-2014	2014	2013	Change 2013-2014
Instruction	\$ 982	1,203	-18.4%	732	974	-24.8%
Support services	446	538	-17.1%	423	522	-19.0%
Non-instructional programs	6	4	50.0%	4	4	0.0%
Other expenses	<u>175</u>	<u>142</u>	<u>23.2%</u>	<u>104</u>	<u>78</u>	<u>33.3%</u>
Total	<u>\$ 1,609</u>	<u>1,887</u>	<u>-14.7%</u>	<u>1,263</u>	<u>1,578</u>	<u>-20.0%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$59,603.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$281,653.
- The net cost of governmental activities was financed with \$1,066,528 in property and other taxes and \$314,686 in unrestricted state grants.

## Business Type Activities

Revenues for business type activities during the year ended June 30, 2014 were \$176,346, representing a 2.5% increase over the prior year, while expenses totaled \$181,192, a 0.1% increase from the prior year. The District's business type activities include the School Nutrition Fund and the Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The City of Gilmore City donates part of its local option sales tax to help support the District's operation of the Thunder Tots Daycare Program. These contributions help keep the rates parents pay as low as possible.

## **INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,363,791, above last year's ending fund balances of \$1,285,965.

### **Governmental Fund Highlights**

- The General Fund balance increased from \$102,959 to \$197,298 due, in part, to a reduction in expenditures during the year.
- The Management Fund balance decreased from \$486,532 to \$469,353. The decrease was due mainly to a decrease in property tax revenue.
- The Capital Projects Fund balance increased from \$687,335 in fiscal 2013 to \$690,706 in fiscal 2014.

### **Proprietary Fund Highlights**

School Nutrition Fund net position decreased from a deficit of \$5,521 at June 30, 2013 to a deficit of \$13,418 at June 30, 2014. Fee increases weren't enough to cover the increase in food costs resulting in a decrease in the net position of the Nutrition Fund.

Daycare Fund net position increased from \$3,275 at June 30, 2013 to \$6,326 at June 30, 2014. Contributions include donations from the City of Gilmore City.

## **BUDGETARY HIGHLIGHTS**

The District's total revenues were \$21,454 more than total budgeted revenues, a variance of 1.1%.

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2014, the District had invested approximately \$0.5 million, 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 increase of 5.2% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$81,590.

The original cost of the District's capital assets was approximately \$1.7 million. Governmental funds account for approximately \$1.8 million, with the less than \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Capital Assets, Net of Depreciation**  
**(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$ 7	7	---	---	7	7	0.0%
Buildings	320	275	---	---	320	275	16.4%
Improvements other than buildings	103	111	---	---	103	111	-7.2%
Furniture and equipment	94	105	---	---	94	105	-10.5%
Total	\$ 524	498	---	---	524	498	5.2%

### Long-Term Debt

At June 30, 2014, the District had \$138,318 in total long-term debt outstanding. This represents a decrease of approximately 22% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

**Figure A-7**  
**Outstanding Long-Term Obligations**  
**(expressed in thousands)**

	Total District		Total Change
	June 30,		June 30,
	2014	2013	2013-2014
Termination benefits	\$ 138	178	22.5%

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- Again this year, declining enrollment and loss of budget guarantees have caused revenues to decline while expenditures keep rising. In order to control expenditures, the GCB Childcare Center was moved into the school building and the city's monthly LOST contribution increased. Sharing of administration has kept salary costs down for those positions.
- Involvement in STEM and Scale-Up programs and grant funds have helped us move toward our vision of A Great Start Close to Home without expending local funds. For example summer school was offered as a result of receiving a Department of Education grant. Maker Spaces were added to the opportunities within the school day as a result of a Humboldt County Community Foundation grant.
- We continue to value a high quality teaching staff who are well trained to meet student learning needs, digital technologies (iPads) in the hands of students to access learning and show what they know, and the work of the whole system to create A Great Start Close to Home.

## **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 Julie Dickey, Secretary/Treasurer and Business Manager, Gilmore City-Bradgate Community School District, 402 SE E Ave., Gilmore City, Iowa, 50541.

## **Basic Financial Statements**

Gilmore City-Bradgate Community School District  
Gilmore City, Iowa

Exhibit A

Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,458,556	-	1,458,556
Receivables:			
Property tax:			
Delinquent	4,987	-	4,987
Succeeding year	1,026,877	-	1,026,877
Accounts	630	4,589	5,219
Due from other governments	73,872	-	73,872
Inventories	-	1,061	1,061
Capital assets, net of accumulated depreciation	524,101	-	524,101
<b>Total assets</b>	<b>3,089,023</b>	<b>5,650</b>	<b>3,094,673</b>
<b>Liabilities</b>			
Excess of warrants issued over bank balance	-	11,946	11,946
Accounts payable	110,397	796	111,193
Early retirement payable	1,709	-	1,709
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	19,208	-	19,208
Portion due after one year:			
Early retirement payable	119,110	-	119,110
Net OPEB liability	32,626	-	32,626
<b>Total liabilities</b>	<b>283,050</b>	<b>12,742</b>	<b>295,792</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	1,026,877	-	1,026,877

(continued)

Gilmore City-Bradgate Community School District  
 Gilmore City, Iowa

Exhibit A

Statement of Net Position

June 30, 2014

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<b>Net Position</b>			
Net investment in capital assets	524,101	-	524,101
Restricted for:			
Categorical funding	45,959	-	45,959
Management levy purposes	331,035	-	331,035
School infrastructure	373,597	-	373,597
Physical plant and equipment	317,109	-	317,109
Student activities	6,434	-	6,434
Unrestricted	180,861	(7,092)	173,769
<b>Total net position</b>	<u>\$ 1,779,096</u>	<u>(7,092)</u>	<u>1,772,004</u>

See notes to financial statements.

Gilmore City-Bradgate Community School District  
 Gilmore City, Iowa  
 Statement of Activities  
 Year ended June 30, 2014

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 670,123	37,585	134,742	-
Special instruction	224,208	3,386	33,046	-
Other instruction	87,707	7,147	34,243	-
	<u>982,038</u>	<u>48,118</u>	<u>202,031</u>	<u>-</u>
Support services:				
Student	11,513	-	781	-
Instructional staff	25,383	-	5,515	-
Administration	196,367	-	133	-
Operation and maintenance of plant	112,090	11,485	-	-
Transportation	100,610	-	4,459	-
	<u>445,963</u>	<u>11,485</u>	<u>10,888</u>	<u>-</u>
Non-instructional programs	5,668	-	1,668	-
Other expenditures:				
Facilities acquisition	58,533	-	-	4,500
AEA flowthrough	67,066	-	67,066	-
Depreciation (unallocated)*	49,867	-	-	-
	<u>175,466</u>	<u>-</u>	<u>67,066</u>	<u>4,500</u>
Total governmental activities	<u>1,609,135</u>	<u>59,603</u>	<u>281,653</u>	<u>4,500</u>
Business type activities:				
Support services:				
Administration	674	-	-	-
Operation and maintenance of plant	6,281	-	-	-
Non-instructional programs:				
Day care	117,065	97,781	28,859	-
Food service operations	57,172	11,262	32,532	-
Total business type activities	<u>181,192</u>	<u>109,043</u>	<u>61,391</u>	<u>-</u>
Total	<u>\$ 1,790,327</u>	<u>168,646</u>	<u>343,044</u>	<u>4,500</u>

**General Revenues:**

Property tax levied for:  
 General purposes  
 Capital outlay  
 Statewide sales, services and use tax  
 Income surtax  
 Unrestricted state grants  
 Unrestricted investment earnings  
 Other  
 Total general revenues  
 Change in net position  
 Net position beginning of year  
 Net position end of year

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

See notes to financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business Type Activities	Total
(497,796)	-	(497,796)
(187,776)	-	(187,776)
<u>(46,317)</u>	<u>-</u>	<u>(46,317)</u>
<u>(731,889)</u>	<u>-</u>	<u>(731,889)</u>
(10,732)	-	(10,732)
(19,868)	-	(19,868)
(196,234)	-	(196,234)
(100,605)	-	(100,605)
<u>(96,151)</u>	<u>-</u>	<u>(96,151)</u>
<u>(423,590)</u>	<u>-</u>	<u>(423,590)</u>
(4,000)	-	(4,000)
(54,033)	-	(54,033)
-	-	-
<u>(49,867)</u>	<u>-</u>	<u>(49,867)</u>
<u>(103,900)</u>	<u>-</u>	<u>(103,900)</u>
<u>(1,263,379)</u>	<u>-</u>	<u>(1,263,379)</u>
-	(674)	(674)
-	(6,281)	(6,281)
-	9,575	9,575
<u>-</u>	<u>(13,378)</u>	<u>(13,378)</u>
<u>-</u>	<u>(10,758)</u>	<u>(10,758)</u>
<u>(1,263,379)</u>	<u>(10,758)</u>	<u>(1,274,137)</u>
778,079	-	778,079
93,699	-	93,699
84,223	-	84,223
110,527	-	110,527
314,686	-	314,686
2,306	-	2,306
<u>10,693</u>	<u>5,912</u>	<u>16,605</u>
<u>1,394,213</u>	<u>5,912</u>	<u>1,400,125</u>
130,834	(4,846)	125,988
<u>1,648,262</u>	<u>(2,246)</u>	<u>1,646,016</u>
<u>\$ 1,779,096</u>	<u>(7,092)</u>	<u>1,772,004</u>

Gilmore City-Bradgate Community School District  
Gilmore City, Iowa

Balance Sheet  
Governmental Funds

June 30, 2014

	<u>General</u>	<u>Special Revenue Management</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 270,953	474,028
Receivables:		
Property tax:		
Delinquent	4,221	229
Succeeding year	932,699	-
Accounts	630	-
Due from other governments	73,872	-
<b>Total assets</b>	<u>\$ 1,282,375</u>	<u>474,257</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>		
Liabilities:		
Accounts payable	\$ 90,230	3,195
Early retirement payable	-	1,709
<b>Total liabilities</b>	<u>90,230</u>	<u>4,904</u>
Deferred inflows of resources:		
Unavailable revenues:		
Succeeding year property tax	932,699	-
Income surtax	62,148	-
<b>Total deferred inflows of resources</b>	<u>994,847</u>	<u>-</u>
Fund balances:		
Restricted for:		
Categorical funding	45,959	-
Management levy purposes	-	469,353
Student activities	-	-
School infrastructure	-	-
Physical plant and equipment	-	-
Unassigned	151,339	-
<b>Total fund balances</b>	<u>197,298</u>	<u>469,353</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 1,282,375</u>	<u>474,257</u>

See notes to financial statements.

Schedule C

<u>Capital Projects</u>	<u>Nonmajor Special Revenue Student Activity</u>	<u>Total</u>
707,141	6,434	1,458,556
537	-	4,987
94,178	-	1,026,877
-	-	630
-	-	73,872
<u>801,856</u>	<u>6,434</u>	<u>2,564,922</u>
16,972	-	110,397
-	-	1,709
<u>16,972</u>	<u>-</u>	<u>112,106</u>
94,178	-	1,026,877
-	-	62,148
<u>94,178</u>	<u>-</u>	<u>1,089,025</u>
-	-	45,959
-	-	469,353
-	6,434	6,434
373,597	-	373,597
317,109	-	317,109
-	-	151,339
<u>690,706</u>	<u>6,434</u>	<u>1,363,791</u>
<u>801,856</u>	<u>6,434</u>	<u>2,564,922</u>

Gilmore City-Bradgate Community School District  
Gilmore City, Iowa

Exhibit D

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position

June 30, 2014

<b>Total fund balances of governmental funds (page 21 )</b>	<b>\$ 1,363,791</b>
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	524,101
Other long-term assets are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	62,148
Long-term liabilities, including bonds payable, early retirement payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(170,944)</u>
<b>Net position of governmental activities (page 17)</b>	<b><u>\$ 1,779,096</u></b>

See notes to financial statements.

Gilmore City-Bradgate Community School District  
 Gilmore City, Iowa  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 Year ended June 30, 2014

	<u>General</u>	<u>Special Revenue Management</u>
Revenues:		
Local sources:		
Local tax	\$ 855,024	40,075
Tuition	37,651	-
Other	33,414	3,773
State sources	519,763	15
Federal sources	66,635	-
Total revenues	<u>1,512,487</u>	<u>43,863</u>
Expenditures:		
Current:		
Instruction:		
Regular	661,667	29,699
Special	223,178	-
Other	77,855	-
	<u>962,700</u>	<u>29,699</u>
Support services:		
Student	11,513	-
Instructional staff	25,183	200
Administration	177,824	3,100
Operation and maintenance of plant	96,454	13,043
Transportation	75,740	11,000
	<u>386,714</u>	<u>27,343</u>
Non-instructional programs	<u>1,668</u>	<u>4,000</u>
Other expenditures:		
Facilities acquisition	-	-
AEA flowthrough	67,066	-
	<u>67,066</u>	<u>-</u>
Total expenditures	<u>1,418,148</u>	<u>61,042</u>
Change in fund balances	94,339	(17,179)
Fund balances beginning of year	<u>102,959</u>	<u>486,532</u>
Fund balances end of year	<u>\$ 197,298</u>	<u>469,353</u>

See notes to financial statements.

Exhibit E

<u>Capital Projects</u>	<u>Nonmajor Special Revenue Student Activity</u>	<u>Total</u>
93,699	-	988,798
-	-	37,651
5,009	7,147	49,343
84,258	-	604,036
-	-	66,635
<u>182,966</u>	<u>7,147</u>	<u>1,746,463</u>
-	-	691,366
-	-	223,178
-	9,852	87,707
-	<u>9,852</u>	<u>1,002,251</u>
-	-	11,513
-	-	25,383
44,026	-	224,950
-	-	109,497
-	-	86,740
<u>44,026</u>	-	<u>458,083</u>
-	-	5,668
135,569	-	135,569
-	-	67,066
<u>135,569</u>	-	<u>202,635</u>
<u>179,595</u>	<u>9,852</u>	<u>1,668,637</u>
3,371	(2,705)	77,826
<u>687,335</u>	<u>9,139</u>	<u>1,285,965</u>
<u>690,706</u>	<u>6,434</u>	<u>1,363,791</u>

Gilmore City-Bradgate Community School District  
 Gilmore City, Iowa

Exhibit F

Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Governmental Funds  
 to the Statement of Activities

Year ended June 30, 2014

**Change in fund balances - total governmental funds (page 24)** \$ 77,826

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

Expenditures for capital assets	\$ 107,324	
Depreciation expense	<u>(81,590)</u>	25,734

Certain delinquent property tax, unspent grant proceeds and income surtax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. (6,494)

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	39,628	
Other postemployment benefits	<u>(5,860)</u>	<u>33,768</u>

**Change in net position of governmental activities (page 19)** \$ 130,834

See notes to financial statements.

Gilmore City-Bradgate Community School District  
 Gilmore City, Iowa

Exhibit G

Statement of Net Position  
 Proprietary Fund

June 30, 2014

	<u>Major</u> Day <u>Care</u>	<u>Nonmajor</u> School <u>Nutrition</u>	<u>Total</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 5,118	-	5,118
Accounts receivable	1,557	3,032	4,589
Inventories	-	1,061	1,061
Total current assets	<u>6,675</u>	<u>4,093</u>	<u>10,768</u>
<b>Total assets</b>	<u>6,675</u>	<u>4,093</u>	<u>10,768</u>
<b>Liabilities</b>			
Current liabilities:			
Excess of warrants issued over bank balance	-	17,064	17,064
Accounts payable	349	447	796
Total current liabilities	<u>349</u>	<u>17,511</u>	<u>17,860</u>
<b>Total liabilities</b>	<u>349</u>	<u>17,511</u>	<u>17,860</u>
<b>Net Position</b>			
Unrestricted	<u>6,326</u>	<u>(13,418)</u>	<u>(7,092)</u>
<b>Total net position</b>	<u>\$ 6,326</u>	<u>(13,418)</u>	<u>(7,092)</u>

See notes to financial statements

Gilmore City-Bradgate Community School District  
Gilmore City, Iowa

Exhibit H

Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Fund

Year ended June 30, 2014

	<u>Major</u> Day <u>Care</u>	<u>Nonmajor</u> School <u>Nutrition</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for service	\$ 97,781	11,262	109,043
Miscellaneous	-	5,912	5,912
Total operating revenue	97,781	17,174	114,955
Operating expenses:			
Support services:			
Administration	674	-	674
Operation and maintenance of plant	5,850	431	6,281
	6,524	431	6,955
Non-instructional programs:			
Salaries	89,521	21,888	111,409
Benefits	23,638	3,630	27,268
Supplies	3,906	31,654	35,560
	117,065	57,172	174,237
Total operating expenses	123,589	57,603	181,192
Operating loss	(25,808)	(40,429)	(66,237)
Non-operating revenues:			
State sources	2,846	279	3,125
Federal sources	7,632	32,253	39,885
Contributions	18,381	-	18,381
Total non-operating revenues	28,859	32,532	61,391
Increase (decrease) in net position	3,051	(7,897)	(4,846)
Net position beginning of year	3,275	(5,521)	(2,246)
Net position end of year	\$ 6,326	(13,418)	(7,092)

See notes to financial statements.

Gilmore City-Bradgate Community School District  
Gilmore City, Iowa

Exhibit I

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2014

	<u>Major</u>	<u>Nonmajor</u>	
	<u>Day</u>	<u>School</u>	<u>Total</u>
	<u>Care</u>	<u>Nutrition</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from sale of services, lunches and breakfasts	\$ 98,417	11,080	109,497
Cash received from miscellaneous operating activities	-	5,912	5,912
Cash paid to employees for services	(113,159)	(25,518)	(138,677)
Cash paid to suppliers for goods or services	(10,129)	(27,632)	(37,761)
Net cash used by operating activities	<u>(24,871)</u>	<u>(36,158)</u>	<u>(61,029)</u>
Cash flows from non-capital financing activities:			
State grants received	2,846	279	3,125
Federal grants received	7,632	26,106	33,738
Contributions	18,381	-	18,381
Excess of warrants issued over bank balance	-	9,773	9,773
Net cash provided by non-capital financing activities	<u>28,859</u>	<u>36,158</u>	<u>65,017</u>
Net increase in cash and cash equivalents	3,988	-	3,988
Cash and cash equivalents beginning of year	<u>1,130</u>	<u>-</u>	<u>1,130</u>
Cash and cash equivalents end of year	<u>\$ 5,118</u>	<u>-</u>	<u>5,118</u>

Gilmore City-Bradgate Community School District  
Gilmore City, Iowa

Exhibit I

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2014

	<u>Major</u> Day <u>Care</u>	<u>Nonmajor</u> School <u>Nutrition</u>	<u>Total</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>			
Operating loss	\$ (25,808)	(40,429)	(66,237)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities used	-	3,898	3,898
(Increase) decrease in accounts receivable	636	(182)	454
(Increase) decrease in inventories	-	355	355
Increase (decrease) in accounts payable	<u>301</u>	<u>200</u>	<u>501</u>
Net cash used by operating activities	<u>\$ (24,871)</u>	<u>(36,158)</u>	<u>(61,029)</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2014, the District received \$3,898 of federal commodities.

See notes to financial statements.

Gilmore City-Bradgate Community School District  
Gilmore City, Iowa

Exhibit J

Statement of  
Fiduciary Net Position  
Fiduciary Funds

June 30, 2014

	<u>Private Purpose Trust Scholarship</u>
<b>Assets</b>	
Cash and cash equivalents	\$ <u>51,276</u>
<b>Total assets</b>	<u>51,276</u>
<b>Liabilities</b>	
Other payables	<u>-</u>
<b>Total liabilities</b>	<u>-</u>
<b>Net Position</b>	
Reserved for scholarships	<u>\$ 51,276</u>

See notes to financial statements.

Gilmore City-Bradgate Community School District  
Gilmore City, Iowa

Exhibit K

Statement of Changes in Fiduciary Net Position  
Fiduciary Funds

Year ended June 30, 2014

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 205
Total additions	205
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>800</u>
Total deductions	<u>800</u>
Change in net position	(595)
Net position beginning of year	<u>51,871</u>
Net position end of year	<u>\$ 51,276</u>

See notes to financial statements.

Gilmore City-Bradgate Community School District  
Gilmore City, Iowa

Notes to Financial Statements

June 30, 2014

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

Gilmore City-Bradgate Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. An academic sharing agreement exists with West Bend-Mallard Community School District whereby grades seven through twelve attend the West Bend-Mallard Community School District. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the cities of Gilmore City and Bradgate, Iowa, and the predominately agricultural territory in Humboldt, Pocahontas, and Webster 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, Gilmore City-Bradgate Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in jointly governed organizations that provide services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Humboldt and Pocahontas county assessor's conference boards.

Gilmore City-Bradgate Community School District  
Gilmore City, Iowa

Notes to Financial Statements

June 30, 2014

B. Basis of Presentation

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

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

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization 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. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

Gilmore City-Bradgate Community School District  
Gilmore City, Iowa

Notes to Financial Statements

June 30, 2014

Fund Financial Statements— Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project 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 Special Revenue, Management Levy Fund is used to account for the cost of unemployment benefits, liability insurance and agreements, costs of judgments and certain early retirement benefits.

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

The District reports the following major proprietary fund:

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

Gilmore City-Bradgate Community School District  
Gilmore City, Iowa

Notes to Financial Statements

June 30, 2014

C. Measurement Focus and Basis of Accounting

The government-wide, 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.

Gilmore City-Bradgate Community School District  
Gilmore City, Iowa

Notes to Financial Statements

June 30, 2014

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 is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

Cash and Cash Equivalents – The cash balances of most District funds are pooled and invested. Non-negotiable certificates of deposit 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.

Gilmore City-Bradgate Community School District  
Gilmore City, Iowa

Notes to Financial Statements

June 30, 2014

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-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 repair 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.

Gilmore City-Bradgate Community School District  
Gilmore City, Iowa

Notes to Financial Statements

June 30, 2014

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50
Improvements other than buildings	20
Intangibles	5-10
Furniture and equipment	5-12

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation hours for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. There is no liability at June 30, 2014.

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

Gilmore City-Bradgate Community School District  
Gilmore City, Iowa

Notes to Financial Statements

June 30, 2014

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

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

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

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

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

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

(2) **Cash and Cash Equivalents**

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Gilmore City-Bradgate Community School District  
Gilmore City, Iowa

Notes to Financial Statements

June 30, 2014

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.

The District had no investments at or during the year ended June 30, 2014 and deposited its excess cash in savings and certificates of deposit.

**(3) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 7,000	---	---	7,000
Capital assets being depreciated:				
Buildings	877,528	77,036	---	954,564
Improvements other than buildings	282,502	---	---	282,502
Furniture and equipment	<u>518,064</u>	<u>30,288</u>	---	<u>548,352</u>
Total capital assets being depreciated	<u>1,678,094</u>	<u>107,324</u>	---	<u>1,785,418</u>
Less accumulated depreciation for:				
Buildings	602,657	31,592	---	634,249
Improvements other than buildings	171,514	7,632	---	179,146
Furniture and equipment	<u>412,556</u>	<u>42,366</u>	---	<u>454,922</u>
Total accumulated depreciation	<u>1,186,727</u>	<u>81,590</u>	---	<u>1,268,317</u>
Total capital assets being depreciated, net	<u>491,367</u>	<u>25,734</u>	---	<u>517,101</u>
Governmental activities capital assets, net	\$ <u>498,367</u>	<u>25,734</u>	---	<u>524,101</u>

Gilmore City-Bradgate Community School District  
Gilmore City, Iowa

Notes to Financial Statements

June 30, 2014

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 16,331	---	---	16,331
Less accumulated depreciation	<u>16,331</u>	<u>---</u>	<u>---</u>	<u>16,331</u>
Business type activities capital assets, net	\$ <u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>

Depreciation expense was charged to the following functions:

Governmental activities:			
Instruction:			
Regular			\$ 15,793
Support services:			
Operation and maintenance of plant			2,060
Transportation			<u>13,870</u>
			31,723
Unallocated			<u>49,867</u>
Total depreciation expense – governmental activities			\$ <u>81,590</u>
Business type activities:			
Food service operations			\$ <u>---</u>

**(4) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Termination benefits	\$ 177,946	---	39,628	138,318	19,208
Net OPEB liability	<u>26,766</u>	<u>5,860</u>	<u>---</u>	<u>32,626</u>	<u>---</u>
Total	\$ <u>204,712</u>	<u>5,860</u>	<u>39,628</u>	<u>170,944</u>	<u>19,208</u>

Gilmore City-Bradgate Community School District  
Gilmore City, Iowa

Notes to Financial Statements

June 30, 2014

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of service (last ten consecutively) to the District. Employees must complete an application which must be approved by the Board of Education. The early retirement incentive for each eligible employee is the difference between BA base and their current annual full-time equivalent salary less extended contract and supplement pay amounts. The dollar benefit is to be used to continue paying the employee's premium for the District's group insurance program.

In fiscal year 2013, the District offered a new voluntary early retirement plan to its full time licensed employees. Eligible employees must be at least age fifty five on or before June 30 and must have completed a total of thirty years of service to the District. Employees must complete an application which must be approved by the Board of Education. The early retirement incentive is the ability of the retired employee to continue participation in the District's group health and dental insurance plan at the District's expense until they reach age sixty five.

At June 30, 2014, the District has obligations to four participants with a total liability of \$138,318. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$39,628.

**(5) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$53,715, \$68,984 and \$68,314, respectively, equal to the required contributions for each year.

Gilmore City-Bradgate Community School District  
Gilmore City, Iowa

Notes to Financial Statements

June 30, 2014

**(6) Other Postemployment Benefits (OPEB)**

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 14 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 7,644
Interest on net OPEB obligation	669
Adjustment to annual required contribution	<u>(2,453)</u>
Annual OPEB cost	5,860
Contributions made	<u>(0)</u>
Increase in net OPEB obligation	5,860
Net OPEB obligation beginning of year	<u>26,766</u>
Net OPEB obligation end of year	<u>\$ 32,626</u>

Gilmore City-Bradgate Community School District  
Gilmore City, Iowa

Notes to Financial Statements

June 30, 2014

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$0 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

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

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 11,768	28.8%	\$ 20,945
2013	9,411	38.1%	26,766
2014	5,860	0.0%	32,626

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$73,782, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$73,782. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$410,000 and the ratio of the UAAL to covered payroll was 18.0%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, 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.

Gilmore City-Bradgate Community School District  
Gilmore City, Iowa

Notes to Financial Statements

June 30, 2014

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 entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement and termination probabilities were developed based on IPERS normal retirement age for each employee and information provided by the District.

Projected claim costs of the medical plan are \$506 per month for retirees less than age 65 and \$155 per month for retirees who have attained age 65. The UAAL is being amortized as a level dollar funding over 30 years.

**(7) Risk Management**

Gilmore City-Bradgate Community School District is a member in the Iowa School Employees Benefits Association, (ISEBA), a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides health coverage and protection.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2014 were \$103,903.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

Gilmore City-Bradgate Community School District  
Gilmore City, Iowa

Notes to Financial Statements

June 30, 2014

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

**(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$67,066 for the year ended June 30, 2014, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Deficit Fund Balance**

The Enterprise, School Nutrition Fund had a deficit fund balance of \$13,418 at June 30, 2014. The deficit will be eliminated by the receipt of fees in future years. The deficit in the School Nutrition Fund was due to expenses being incurred before sufficient revenues were available.

**(10) Categorical Funding**

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

<u>Program</u>	<u>Amount</u>
Preschool	\$ 35,426
Professional development – core curriculum	2,326
Teacher leadership	2,511
Gifted and Talented	<u>5,696</u>
	\$ <u>45,959</u>

Gilmore City-Bradgate Community School District  
Gilmore City, Iowa

Notes to Financial Statements

June 30, 2014

**(11) Prospective Accounting Change**

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

**(12) Subsequent Events**

Subsequent events have been evaluated through March 9, 2015 which is the date the financial statements were available to be issued.

**Required Supplementary Information**

Gilmore City-Bradgate Community School District  
 Gilmore City, Iowa

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

Required Supplementary Information

Year ended June 30, 2014

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 1,075,792	133,336
State sources	604,036	3,125
Federal sources	<u>66,635</u>	<u>39,885</u>
Total revenues	<u>1,746,463</u>	<u>176,346</u>
Expenditures/Expenses:		
Instruction	1,002,251	-
Support services	458,083	6,955
Non-instructional programs	5,668	174,237
Other expenditures	<u>202,635</u>	<u>-</u>
Total expenditures/expenses	<u>1,668,637</u>	<u>181,192</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	77,826	(4,846)
Balances beginning of year	<u>1,285,965</u>	<u>(2,246)</u>
Balances end of year	<u>\$ 1,363,791</u>	<u>(7,092)</u>

See accompanying independent auditor's report.

Total Actual	Budgeted Amounts		Final to Actual Variance
	Original	Final	
1,209,128	1,279,545	1,279,545	(70,417)
607,161	516,810	516,810	90,351
106,520	105,000	105,000	1,520
<u>1,922,809</u>	<u>1,901,355</u>	<u>1,901,355</u>	<u>21,454</u>
1,002,251	1,260,000	1,260,000	257,749
465,038	959,700	959,700	494,662
179,905	200,500	200,500	20,595
202,635	373,797	373,797	171,162
<u>1,849,829</u>	<u>2,793,997</u>	<u>2,793,997</u>	<u>944,168</u>
72,980	(892,642)	(892,642)	965,622
<u>1,283,719</u>	<u>1,224,245</u>	<u>1,224,245</u>	<u>59,474</u>
<u><u>1,356,699</u></u>	<u><u>331,603</u></u>	<u><u>331,603</u></u>	<u><u>1,025,096</u></u>

Gilmore City-Bradgate Community School District  
Gilmore City, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard 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 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. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2014, expenditures did not exceed the amounts budgeted.

Gilmore City-Bradgate Community School District

Schedule of Funding Progress for the  
 Retiree Health Plan  
 (In Thousands)  
 Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 109	109	0.0%	\$ 1,093	10.0%
2011	July 1, 2009	-	107	107	0.0%	978	10.9%
2012	July 1, 2009	-	106	106	0.0%	828	12.8%
2013	July 1, 2012	-	80	80	0.0%	432	18.5%
2014	July 1, 2012	-	74	74	0.0%	410	18.0%

See Note 6 In the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

## **Supplementary Information**

Gilmore City-Bradgate Community School District  
 Gilmore City, Iowa

Schedule 1

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Intrafund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
Athletics	\$ 3,609	1,537	3,485	-	1,661
Elementary Spirit	141	-	141	-	-
Kids PBS	1,879	334	-	-	2,213
Student Council	<u>3,510</u>	<u>5,276</u>	<u>6,226</u>	<u>-</u>	<u>2,560</u>
 Total	 <u>\$ 9,139</u>	 <u>7,147</u>	 <u>9,852</u>	 <u>-</u>	 <u>6,434</u>

See accompanying independent auditor's report.

Gilmore City-Bradgate Community School District  
 Gilmore City, Iowa

Schedule 2

Combining Balance Sheet  
 Capital Project Accounts

June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 390,519	316,622	707,141
Receivables:			
Property tax:			
Delinquent	-	537	537
Succeeding year	-	94,178	94,178
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total assets</b>	<u>\$ 390,519</u>	<u>411,337</u>	<u>801,856</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 16,922	50	16,972
Total liabilities	<u>16,922</u>	<u>50</u>	<u>16,972</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	94,178	94,178
	<u>          </u>	<u>          </u>	<u>          </u>
Fund balances:			
Restricted for:			
School infrastructure	373,597	-	373,597
Physical plant and equipment	-	317,109	317,109
Total fund balances	<u>373,597</u>	<u>317,109</u>	<u>690,706</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 390,519</u>	<u>411,337</u>	<u>801,856</u>

See accompanying independent auditor's report.

Gilmore City-Bradgate Community School District  
 Gilmore City, Iowa

Schedule 3

Combining Schedule of Revenues, Expenditures  
 and Changes in Fund Balances  
 Capital Project Accounts

Year ended June 30, 2014

	<u>Capital Projects</u>		
	Statewide	Physical	
	Sales, Services	Plant and	
	<u>and Use Tax</u>	Equipment	<u>Total</u>
		<u>Levy</u>	
Revenues:			
Local sources:			
Local tax	\$ -	93,699	93,699
Other	4,763	246	5,009
State sources	<u>84,223</u>	<u>35</u>	<u>84,258</u>
Total revenues	<u>88,986</u>	<u>93,980</u>	<u>182,966</u>
Expenditures:			
Support services:			
Administration	35,588	8,438	44,026
Other expenditures:			
Facilities acquisition	<u>85,903</u>	<u>49,666</u>	<u>135,569</u>
Total expenditures	<u>121,491</u>	<u>58,104</u>	<u>179,595</u>
Excess (deficiency) of revenues over (under) expenditures	(32,505)	35,876	3,371
Fund balances beginning of year	<u>406,102</u>	<u>281,233</u>	<u>687,335</u>
Fund balances end of year	<u>\$ 373,597</u>	<u>317,109</u>	<u>690,706</u>

See accompanying independent auditor's report.

Gilmore City-Bradgate Community School District  
Gilmore City, Iowa

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Ten Years

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues:				
Local sources:				
Local tax	\$ 988,798	1,076,995	1,146,704	1,113,347
Tuition	37,651	26,352	17,286	250,935
Other	49,343	36,348	66,214	92,291
State sources	604,036	510,952	523,848	505,172
Federal sources	66,635	64,620	60,718	133,546
Total	<u>\$ 1,746,463</u>	<u>1,715,267</u>	<u>1,814,770</u>	<u>2,095,291</u>
Expenditures:				
Instruction	\$ 1,002,251	1,028,605	1,090,245	1,153,117
Support services:				
Student	11,513	4,888	6,083	31,376
Instructional staff	25,383	29,520	59,753	57,240
Administration	224,950	278,246	276,006	358,777
Operation and maintenance of plant	109,497	118,640	118,461	130,408
Transportation	86,740	79,049	153,215	74,971
Non-instructional programs	5,668	4,000	3,000	3,000
Other expenditures:				
Facilities acquisition	135,569	66,278	32,976	65,641
AEA flowthrough	67,066	64,015	62,732	71,655
Total	<u>\$ 1,668,637</u>	<u>1,673,241</u>	<u>1,802,471</u>	<u>1,946,185</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
1,004,088	978,434	1,002,713	991,497	991,196	962,884
268,307	299,782	279,213	227,894	232,023	146,388
152,289	171,232	162,401	153,129	145,470	155,662
503,834	553,971	619,323	549,073	593,283	619,759
171,012	89,246	64,264	86,415	82,324	96,239
<u>2,099,530</u>	<u>2,092,665</u>	<u>2,127,914</u>	<u>2,008,008</u>	<u>2,044,296</u>	<u>1,980,932</u>
1,270,951	1,439,803	1,321,280	1,314,150	1,345,338	1,295,291
40,427	38,720	37,820	34,078	32,108	40,024
56,535	50,355	21,636	21,853	18,740	20,722
368,974	316,164	307,512	245,331	204,195	192,727
137,485	138,293	132,195	121,444	121,922	109,046
105,842	95,316	80,164	125,069	66,000	122,407
3,000	3,000	3,000	3,000	13,100	368
72,988	112,721	194,258	55,197	160,852	58,215
72,710	66,266	65,496	64,848	63,489	64,025
<u>2,128,912</u>	<u>2,260,638</u>	<u>2,163,361</u>	<u>1,984,970</u>	<u>2,025,744</u>	<u>1,902,825</u>

# Cornwell, Frideres, Maher & Associates, P.L.C.

## Certified Public Accountants

714 14th Avenue North  
Fort Dodge, IA 50501-7098  
Phone 515.955.4805 • Fax 515.955.4673

Lowell W. Cornwell, C.P.A.  
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.  
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.  
jjmaher@frontiernet.net

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  
Gilmore City-Bradgate 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 Gilmore City-Bradgate Community School District as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 9, 2015.

### Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-14 and I-B-14 to be material weaknesses.

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gilmore City-Bradgate Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which 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, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Gilmore City-Bradgate Community School District's Responses to Findings

Gilmore City-Bradgate Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Gilmore City-Bradgate 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 Gilmore City-Bradgate 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.

*Cornwell, Frideres, Maher & Associates, P.L.C.*

Cornwell, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

March 9, 2015

Gilmore City-Bradgate Community School District  
Gilmore City, Iowa

Schedule of Findings

Year ended June 30, 2014

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

I-A-14 Segregation of Duties - The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District has taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

Response - We are continuing to review our procedures and implement additional controls where possible.

Conclusion - Response acknowledged. The District should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-14 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to Gilmore City-Bradgate Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Gilmore City-Bradgate Community School District  
Gilmore City, Iowa

Schedule of Findings

Year ended June 30, 2014

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, it is the responsibility of the District’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue to evaluate the risks to be accepted in preparation of the financial statements.

Conclusion – Response accepted.

I-C-14 Disbursement Approval –For two disbursements, there was there was insufficient documentation to determine the date the Superintendent approved routine expenditures for advance payment in accordance with the District’s policy.

Recommendation – For payments made in advance of Board meetings, the District should maintain documentation of the Superintendent’s approval of claims for payment, such as the Superintendent’s initials and date of approval.

Response – We will maintain documentation of the approval of disbursements made in advance of Board approval by having the Superintendent initial and date the claims.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

Gilmore City-Bradgate Community School District  
Gilmore City, Iowa

Schedule of Findings

Year ended June 30, 2014

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-14 Certified Budget - Expenditures for the year ended June 30, 2014, did not exceed the amounts budgeted.

II-B-14 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-14 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>
Julie Dickey, Board Secretary, Son owns Dickey Construction	Construction	\$ 4,614

In accordance with an Attorney General's opinion dated November 9, 1976, the transaction with the Board Secretary's son, does not appear to represent a conflict of interest.

II-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to ensure the coverage is adequate for current operations.

II-F-14 Board Minutes - As previously noted, two disbursements had insufficient documentation they had been approved for payment by the Superintendent in advance of Board approval as allowed by Chapter 279.30 of the Code of Iowa.

Recommendation - Sufficient documentation should be maintained to evidence proper Superintendent approval of disbursements paid in advance of Board approval.

Gilmore City-Bradgate Community School District  
Gilmore City, Iowa

Schedule of Findings

Year ended June 30, 2014 .

Response – Procedures have been revised to ensure the Superintendent’s approval of disbursements prior to Board meetings is adequately documented.

Conclusion – Response accepted.

- II-G-14 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-14 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-14 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-13 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-K-14 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-14 Statewide Sales, Services, and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services, and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Gilmore City-Bradgate Community School District  
 Gilmore City, Iowa

Schedule of Findings

Year ended June 30, 2014

Beginning balance		\$ 406,102
Revenues/transfers in:		
Sales tax revenues	\$ 84,223	
Other local revenues	<u>4,763</u>	<u>88,986</u>
		495,088
Expenditures/transfers out:		
Equipment	72,815	
Other	<u>48,676</u>	<u>121,491</u>
Ending balance		\$ <u>373,597</u>

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

II-M-14 Deficit Balances – The District had an Enterprise, School Nutrition Fund deficit of \$13,418 at June 30, 2014.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit in order to return the fund to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate this deficit.

Conclusion - Response accepted.