

GRISWOLD COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Griswold Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Elections)		
Robert Peterson	President	2013
Tom Moore	Vice President	2013
Scott Peterson	Board Member	2013
Clarion Campbell	Board Member	2015
Douglas Lembke	Board Member	2015
Steve Baier	Board Member	2013
Scott Hansen	Board Member	2015
(After September 2013 Elections)		
Douglas Lembke	President	2015
Scott Peterson	Vice President	2017
Tom Moore	Board Member	2017
Clarion Campbell	Board Member	2015
Robert Peterson	Board Member	2017
Steve Baier	Board Member	2017
Scott Hansen	Board Member	2015
School Officials		
Dana Kunze	Superintendent	2014
Tim Blum	Business Manager	2014
Nancy Taylor	Board Secretary	2014
Rick Franck	Attorney	2014

GRISWOLD COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Griswold 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 Griswold Community School District, Griswold, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Griswold 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.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 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 Griswold Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 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 27, 2015, on our consideration of Griswold Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Griswold Community School District's internal control over financial reporting and compliance.


NOLTE, CORNMAN & JOHNSON, P.C.

March 27, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Griswold 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 \$5,710,638 in fiscal year 2013 to \$6,088,548 in fiscal year 2014 and General Fund expenditures increased from \$6,156,503 in fiscal year 2013 to \$6,805,251 in fiscal year 2014. Expenditures outpaced revenues resulting in a decrease in the District's General Fund balance from \$2,193,377 at June 30, 2013 to \$1,476,674 at June 30, 2014, a 32.68% decrease from the prior year.
- The District's solvency ratio (unassigned plus assigned fund balance/general fund revenues less AEA flowthrough) decreased from 37.14% at June 30, 2013 to 21.34% at June 30, 2014.

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 Griswold 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 Griswold Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Griswold 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 presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

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

Figure A-1
Griswold Community School District Annual Financial Report

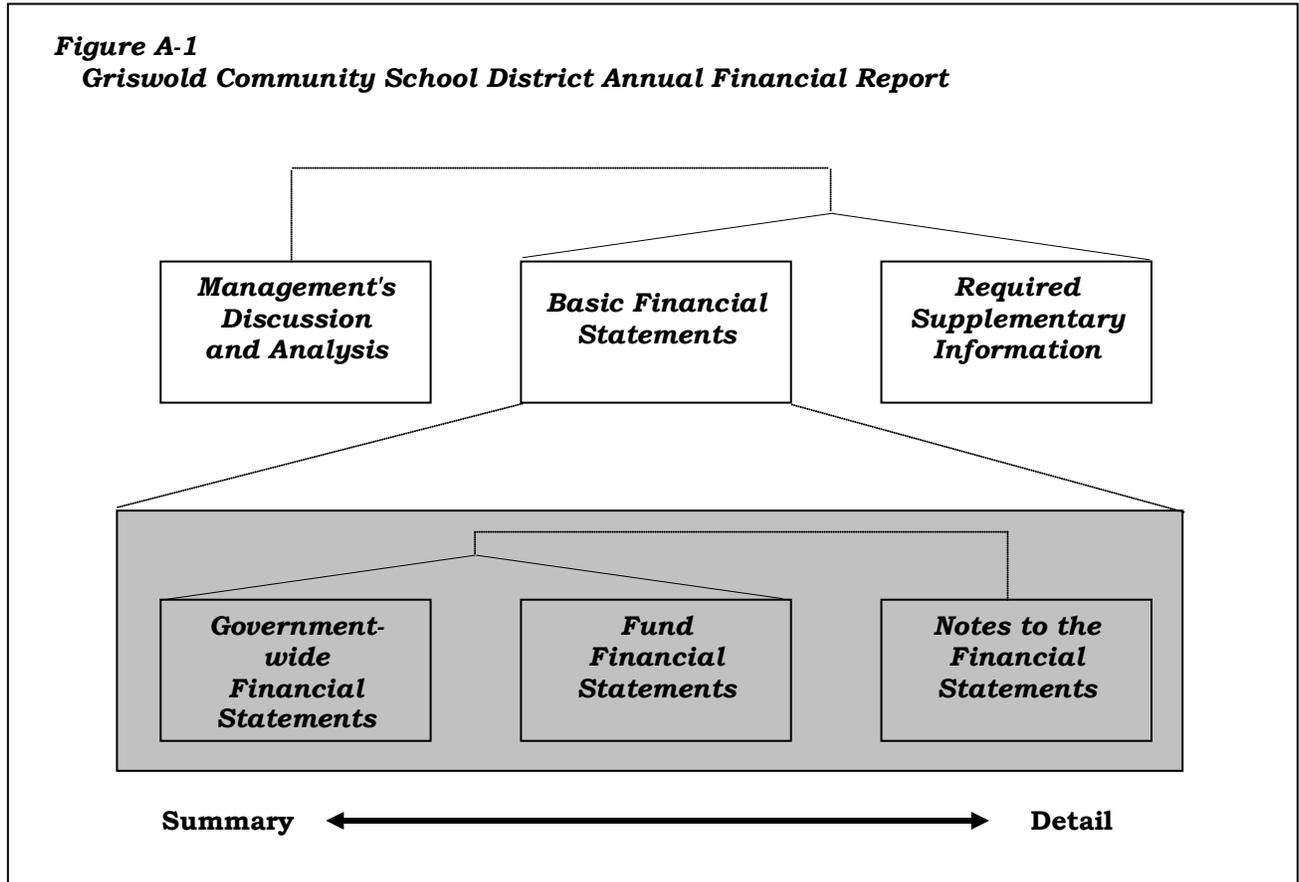


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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, e.g., food service	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"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Fund Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets, 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 that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

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

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

The required financial statements for the 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 Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the 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 Fund.

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 includes 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 for the year ended June 30, 2014 compared to June 30, 2013.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 6,991,511	8,079,378	32,610	39,501	7,024,121	8,118,879	-13.48%
Capital assets	6,955,969	5,850,477	33,097	36,468	6,989,066	5,886,945	18.72%
Total assets	13,947,480	13,929,855	65,707	75,969	14,013,187	14,005,824	0.05%
Long-term liabilities	3,113,035	3,257,950	724	584	3,113,759	3,258,534	-4.44%
Other liabilities	1,225,601	851,984	28,771	27,056	1,254,372	879,040	42.70%
Total liabilities	4,338,636	4,109,934	29,495	27,640	4,368,131	4,137,574	5.57%
Deferred inflows of resources	2,595,930	2,451,775	-	-	2,595,930	2,451,775	5.88%
Net position:							
Net investment in capital assets	4,227,184	3,391,943	33,097	36,468	4,260,281	3,428,411	24.26%
Restricted	1,396,612	1,939,757	-	-	1,396,612	1,939,757	-28.00%
Unrestricted	1,389,118	2,036,446	3,115	11,861	1,392,233	2,048,307	-32.03%
Total net position	\$ 7,012,914	7,368,146	36,212	48,329	7,049,126	7,416,475	-4.95%

The District's combined net position decreased by 4.95%, or \$367,349, over the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$543,145 or 28.00% over the prior year. The decrease in restricted fund balance can be attributed to the decrease in fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund as compared to the previous year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$656,074 or 32.03%. The decrease in unrestricted net position was primarily the result of the decrease in the General Fund balance when compared to the previous year.

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

Figure A-4							
Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 318,558	287,648	167,042	174,755	485,600	462,403	5.02%
Operating grants, contributions and restricted interest	583,873	526,687	173,435	171,131	757,308	697,818	8.53%
General revenues:							
Property tax	2,420,310	2,281,628	-	-	2,420,310	2,281,628	6.08%
Income surtax	286,493	310,886	-	-	286,493	310,886	-7.85%
Statewide sales, services and use tax	516,866	506,478	-	-	516,866	506,478	2.05%
Unrestricted state grants	2,944,237	2,709,326	-	-	2,944,237	2,709,326	8.67%
Unrestricted investment earnings	3,272	4,231	5	8	3,277	4,239	-22.69%
Other	104,085	88,669	100	614	104,185	89,283	16.69%
Total revenues	<u>7,177,694</u>	<u>6,715,553</u>	<u>340,582</u>	<u>346,508</u>	<u>7,518,276</u>	<u>7,062,061</u>	<u>6.46%</u>
Program expenses:							
Instructional	4,746,792	3,816,786	-	-	4,746,792	3,816,786	24.37%
Support services	2,217,252	1,991,444	2,303	-	2,219,555	1,991,444	11.45%
Non-instructional programs	-	1,585	350,396	355,972	350,396	357,557	-2.00%
Other expenses	568,882	430,451	-	-	568,882	430,451	32.16%
Total expenses	<u>7,532,926</u>	<u>6,240,266</u>	<u>352,699</u>	<u>355,972</u>	<u>7,885,625</u>	<u>6,596,238</u>	<u>19.55%</u>
Excess(Deficiency) of revenues over(under) expenditures	(355,232)	475,287	(12,117)	(9,464)	(367,349)	465,823	-178.86%
Transfers	-	(775)	-	775	-	-	0.00%
Change in net position	(355,232)	474,512	(12,117)	(8,689)	(367,349)	465,823	-178.86%
Net position beginning of year	<u>7,368,146</u>	<u>6,893,634</u>	<u>48,329</u>	<u>57,018</u>	<u>7,416,475</u>	<u>6,950,652</u>	<u>6.70%</u>
Net position end of year	<u>\$ 7,012,914</u>	<u>7,368,146</u>	<u>36,212</u>	<u>48,329</u>	<u>7,049,126</u>	<u>7,416,475</u>	<u>-4.95%</u>

In fiscal year 2014, local tax and unrestricted state grants accounted for 78.73% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for nearly all of the revenue from business type activities.

The District's total revenues were approximately \$7.52 million, of which approximately \$7.18 million was for governmental activities and approximately \$0.34 million was for business type activities.

As shown in FigureA-4, the District as a whole experienced a 6.46% increase in revenues and a 19.55% increase in expenses. The increase in revenues can be attributed to an increase in property tax and state source revenues. The increase in expenditures can be attributed to an increase in instructional and support service expenditures.

Governmental Activities

Revenues for governmental activities were \$7,177,694 and expenses were \$7,532,926.

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.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 4,746,792	3,816,786	24.37%	4,078,655	3,226,813	26.40%
Support services	2,217,252	1,991,444	11.34%	2,217,252	1,991,444	11.34%
Non-instructional	-	1,585	-100.00%	-	1,585	-100.00%
Other expenses	568,882	430,451	32.16%	334,588	206,089	62.35%
Totals	<u>\$ 7,532,926</u>	<u>6,240,266</u>	<u>20.71%</u>	<u>6,630,495</u>	<u>5,425,931</u>	<u>22.20%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$318,558.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$583,873.
- The net cost of governmental activities was financed with \$2,706,803 in local tax, \$516,866 in statewide sales, services and use tax, \$2,944,237 in unrestricted state grants, \$3,272 in unrestricted investment earnings and \$104,085 in other general revenues.

Business Type Activities

Revenues of the District's business type activities for the year ended June 30, 2014 were \$340,582 and expenses were \$352,699. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Griswold 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 \$2,981,894; down from last year's ending fund balances of \$4,567,210. The decline in combined fund balances at the end of fiscal year 2014 is due in part to expenditures for capital outlay.

Governmental Fund Highlights

- The General Fund balance decreased from \$2,193,377 to \$1,476,674. This decrease was due in part to increased expenditures for instruction and support services during the year.
- The Capital Projects Accounts balance decreased from \$1,763,693 at June 30, 2013 to \$603,848 at June 30, 2014. The Capital Projects: Statewide Sales, Services and Use Tax Fund balance decreased from \$1,026,655 at June 30, 2013 to \$211,307 at June 30, 2014. The Capital Projects: Physical Plant and Equipment Levy Fund increased from \$195,572 at June 30, 2013 to \$271,326 June 30, 2014. The Capital Projects: Revenue Bond Construction Fund balance decreased from \$541,466 at June 30, 2013 to \$121,215 at June 30, 2014, as work was completed on the parking lot and track projects and work began on the high school lockers, restrooms and HVAC project.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$48,329 at June 30, 2013 to \$36,212 at June 30, 2014, representing a decrease of 25.07%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$46,876 more than budgeted amounts, a variance of 0.63%. The most significant variance resulted from the District receiving more from state sources than originally anticipated.

Total expenditures were less than budgeted, 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 always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and other expenditures functional areas.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$6,989,066, 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 amount represents a net increase of 18.72% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$371,836.

The original cost of the District's capital assets was \$11,610,301. Governmental funds account for \$11,485,301 with the remainder of \$125,000 in the Enterprise: School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$172,446 at June 30, 2013, compared to \$2,667,970 reported at June 30, 2014. The change was due to the District completing two parking lot projects and an eight lane track during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 80,747	80,747	-	-	80,747	80,747	0.00%
Construction in progress	938,174	2,201,455	-	-	938,174	2,201,455	-57.38%
Buildings	2,975,603	3,095,518	-	-	2,975,603	3,095,518	-3.87%
Land improvements	2,667,970	172,446	-	-	2,667,970	172,446	1447.13%
Machinery and equipment	293,475	300,311	33,097	36,468	326,572	336,779	-3.03%
Total	\$ 6,955,969	5,850,477	33,097	36,468	6,989,066	5,886,945	18.72%

Long-Term Debt

At June 30, 2014, the District had \$3,113,759 in long-term debt outstanding. This represents a decrease of 4.44% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

- The District had outstanding revenue bonds payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$2,850,000 at June 30, 2014.
- The District had an outstanding loan with a local bank payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$95,733 at June 30, 2014.
- The District had outstanding termination benefits payable from the Special Revenue, Management Levy Fund of \$88,440 at June 30, 2014.
- The District had net OPEB liability of \$79,586 at June 30, 2014, \$78,862 is attributable to governmental activities and the remaining \$724 is attributable to business type activities.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Revenue bonds	\$ 2,850,000	3,000,000	-	-	2,850,000	3,000,000	-5.00%
Computer loan	95,733	176,340	-	-	95,733	176,340	-45.71%
Termination benefits	88,440	18,000	-	-	88,440	18,000	391.33%
Net OPEB liability	78,862	63,610	724	584	79,586	64,194	23.98%
Total	\$ 3,113,035	3,257,950	724	584	3,113,759	3,258,534	-4.44%

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:

- Continued budget concerns at the state level will affect future projections. The District has been forced to shift funding to property taxes.
- The District has faced declining enrollment since FY 2002.

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 Dan Rold, Business Manager, Griswold Community School District, 20 Madison Street, P.O. Box 280, Griswold, Iowa, 51535.

BASIC FINANCIAL STATEMENTS

GRISWOLD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 3,893,682	10,786	3,904,468
Receivables:			
Property tax:			
Delinquent	29,156	-	29,156
Succeeding year	2,595,930	-	2,595,930
Income surtax	222,032	-	222,032
Accounts	1,556	6,751	8,307
Due from other governments	249,155	-	249,155
Inventories	-	15,073	15,073
Capital assets, net of accumulated depreciation	6,955,969	33,097	6,989,066
Total assets	13,947,480	65,707	14,013,187
Liabilities			
Accounts payable	553,378	273	553,651
Salaries and benefits payable	638,277	22,835	661,112
Accrued interest payable	33,946	-	33,946
Unearned revenue	-	5,663	5,663
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	155,000	-	155,000
Computer loan payable	82,234	-	82,234
Termination benefits payable	29,555	-	29,555
Portion due after one year:			
Revenue bonds payable	2,695,000	-	2,695,000
Computer loan payable	13,499	-	13,499
Termination benefits payable	58,885	-	58,885
Net OPEB liability	78,862	724	79,586
Total liabilities	4,338,636	29,495	4,368,131
Deferred inflows of resources			
Unavailable property tax revenue	2,595,930	-	2,595,930
Net Position			
Net investment in capital assets	4,227,184	33,097	4,260,281
Restricted for:			
Categorical funding	227,452	-	227,452
Debt service	380,512	-	380,512
Management levy purposes	344,565	-	344,565
Student activities	57,183	-	57,183
School infrastructure	115,574	-	115,574
Physical plant and equipment	271,326	-	271,326
Unrestricted	1,389,118	3,115	1,392,233
Total net position	\$ 7,012,914	36,212	7,049,126

SEE NOTES TO FINANCIAL STATEMENTS.

**GRISWOLD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,720,305	111,640	66,309	(2,542,356)	-	(2,542,356)
Special	1,061,548	26,375	27,329	(1,007,844)	-	(1,007,844)
Other	964,939	180,543	255,941	(528,455)	-	(528,455)
	<u>4,746,792</u>	<u>318,558</u>	<u>349,579</u>	<u>(4,078,655)</u>	<u>-</u>	<u>(4,078,655)</u>
Support services:						
Student	152,828	-	-	(152,828)	-	(152,828)
Instructional staff	309,421	-	-	(309,421)	-	(309,421)
Administration	826,935	-	-	(826,935)	-	(826,935)
Operation and maintenance of plant	458,530	-	-	(458,530)	-	(458,530)
Transportation	469,538	-	-	(469,538)	-	(469,538)
	<u>2,217,252</u>	<u>-</u>	<u>-</u>	<u>(2,217,252)</u>	<u>-</u>	<u>(2,217,252)</u>
Long-term debt interest	71,408	-	-	(71,408)	-	(71,408)
Other expenses:						
AEA flowthrough	234,294	-	234,294	-	-	-
Depreciation(unallocated)*	263,180	-	-	(263,180)	-	(263,180)
	<u>497,474</u>	<u>-</u>	<u>234,294</u>	<u>(263,180)</u>	<u>-</u>	<u>(263,180)</u>
Total governmental activities	<u>7,532,926</u>	<u>318,558</u>	<u>583,873</u>	<u>(6,630,495)</u>	<u>-</u>	<u>(6,630,495)</u>
Business type activities:						
Support services:						
Operation and maintenance of plant	2,303	-	-	-	(2,303)	(2,303)
Non-instructional programs:						
Food service operations	350,396	167,042	173,435	-	(9,919)	(9,919)
Total business type activities	<u>352,699</u>	<u>167,042</u>	<u>173,435</u>	<u>-</u>	<u>(12,222)</u>	<u>(12,222)</u>
Total	<u>\$ 7,885,625</u>	<u>485,600</u>	<u>757,308</u>	<u>(6,630,495)</u>	<u>(12,222)</u>	<u>(6,642,717)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 2,344,620	-	2,344,620
Capital outlay				75,690	-	75,690
Income surtax				286,493	-	286,493
Statewide sales, services and use tax				516,866	-	516,866
Unrestricted state grants				2,944,237	-	2,944,237
Unrestricted investment earnings				3,272	5	3,277
Other				104,085	100	104,185
Total general revenues				<u>6,275,263</u>	<u>105</u>	<u>6,275,368</u>
Change in net position				(355,232)	(12,117)	(367,349)
Net position beginning of year				<u>7,368,146</u>	<u>48,329</u>	<u>7,416,475</u>
Net position end of year				<u>\$ 7,012,914</u>	<u>36,212</u>	<u>7,049,126</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 2,182,683	807,032	903,967	3,893,682
Receivables:				
Property tax:				
Delinquent	24,904	934	3,318	29,156
Succeeding year	2,312,603	80,504	202,823	2,595,930
Income surtax	222,032	-	-	222,032
Accounts	1,556	-	-	1,556
Due from other governments	104,841	144,314	-	249,155
Total assets	4,848,619	1,032,784	1,110,108	6,991,511
Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable	199,033	348,432	5,913	553,378
Salaries and benefits payable	638,277	-	-	638,277
Total liabilities	837,310	348,432	5,913	1,191,655
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,312,603	80,504	202,823	2,595,930
Income surtax	222,032	-	-	222,032
Total deferred inflows of resources	2,534,635	80,504	202,823	2,817,962
Fund balances:				
Restricted for:				
Categorical funding	227,452	-	-	227,452
Debt service	-	-	414,458	414,458
Management levy purposes	-	-	433,005	433,005
Student activities	-	-	57,183	57,183
School infrastructure	-	332,522	-	332,522
Physical plant and equipment	-	271,326	-	271,326
Unassigned:				
General	1,249,222	-	-	1,249,222
Student activities	-	-	(3,274)	(3,274)
Total fund balances	1,476,674	603,848	901,372	2,981,894
Total liabilities, deferred inflows of resources and fund balances	\$ 4,848,619	1,032,784	1,110,108	6,991,511

SEE NOTES TO FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total fund balances of governmental funds(page 20)	\$ 2,981,894
<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 in the governmental funds.	6,955,969
Income surtax is not yet available to pay current year expenditures and, therefore, is recognized as deferred inflows of resources in the governmental funds.	222,032
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(33,946)
Long-term liabilities, including revenue bonds payable, computer loan payable, termination benefits 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>(3,113,035)</u>
Net position of governmental activities(page 18)	<u><u>\$ 7,012,914</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,376,465	75,690	275,881	2,728,036
Tuition	117,066	-	-	117,066
Other	106,332	27,754	229,586	363,672
State sources	3,279,284	516,896	109	3,796,289
Federal sources	193,864	-	-	193,864
Total revenues	<u>6,073,011</u>	<u>620,340</u>	<u>505,576</u>	<u>7,198,927</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,628,285	-	4,451	2,632,736
Special	1,059,647	-	-	1,059,647
Other	751,648	-	209,905	961,553
	<u>4,439,580</u>	<u>-</u>	<u>214,356</u>	<u>4,653,936</u>
Support services:				
Student	148,231	-	4,314	152,545
Instructional staff	232,732	87,898	410	321,040
Administration	720,781	104,727	-	825,508
Operation and maintenance of plant	573,686	8,251	1,000	582,937
Transportation	455,947	5,151	3,487	464,585
	<u>2,131,377</u>	<u>206,027</u>	<u>9,211</u>	<u>2,346,615</u>
Capital outlay	-	1,267,173	-	1,267,173
Long-term debt:				
Principal	-	-	230,607	230,607
Interest and fiscal charges	-	-	72,318	72,318
	<u>-</u>	<u>-</u>	<u>302,925</u>	<u>302,925</u>
Other expenditures:				
AEA flowthrough	234,294	-	-	234,294
Total expenditures	<u>6,805,251</u>	<u>1,473,200</u>	<u>526,492</u>	<u>8,804,943</u>
Deficiency of revenues under expenditures	(732,240)	(852,860)	(20,916)	(1,606,016)
Other financing sources(uses):				
Transfer in	-	-	306,985	306,985
Transfer out	-	(306,985)	-	(306,985)
Insurance proceeds	15,537	-	5,163	20,700
Total other financing sources(uses)	<u>15,537</u>	<u>(306,985)</u>	<u>312,148</u>	<u>20,700</u>
Change in fund balances	(716,703)	(1,159,845)	291,232	(1,585,316)
Fund balances beginning of year	<u>2,193,377</u>	<u>1,763,693</u>	<u>610,140</u>	<u>4,567,210</u>
Fund balances end of year	<u>\$ 1,476,674</u>	<u>603,848</u>	<u>901,372</u>	<u>2,981,894</u>

SEE NOTES TO FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2014

Change in fund balances - total governmental funds(page 22) \$ (1,585,316)

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

Capital outlay 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:

Capital outlay expenditures	\$ 1,473,022	
Depreciation expense	<u>(367,530)</u>	1,105,492

Income surtax accounts receivable is not available to finance expenditures of the current year period and is recognized as deferred inflows of resources in the governmental funds. (21,233)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 230,607

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 910

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:

Termination benefits	(70,440)	
Other postemployment benefits	<u>(15,252)</u>	<u>(85,692)</u>

Change in net position of governmental activities(page 19) \$ (355,232)

GRISWOLD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	Enterprise: School Nutrition
Assets	
Current assets:	
Cash and pooled investments	\$ 10,786
Accounts receivable	6,751
Inventories	15,073
Total current assets	32,610
Noncurrent assets:	
Capital assets, net of accumulated depreciation	33,097
Total assets	65,707
Liabilities	
Current liabilities:	
Accounts payable	273
Salaries and benefits payable	22,835
Unearned revenue	5,663
Total current liabilities	28,771
Noncurrent liabilities:	
Net OPEB liability	724
Total liabilities	29,495
Net Position	
Net investment in capital assets	33,097
Unrestricted	3,115
Total net position	\$ 36,212

SEE NOTES TO FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2014

	Enterprise: School Nutrition
Operating revenue:	
Local sources:	
Charges for service	\$ 167,042
Miscellaneous	100
Total operating revenue	167,142
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Services	2,303
Non-instructional programs:	
Food service operations:	
Salaries	122,064
Benefits	22,084
Supplies	201,034
Depreciation	4,306
Other	908
	350,396
Total operating expenses	352,699
Operating loss	(185,557)
Non-operating revenues:	
State sources	3,069
Federal sources	170,366
Interest on investments	5
Total non-operating revenues	173,440
Change in net position	(12,117)
Net position beginning of year	48,329
Net position end of year	\$ 36,212

SEE NOTES TO FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	Enterprise: School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 162,061
Cash received from miscellaneous	100
Cash payments to employees for services	(144,336)
Cash payments to suppliers for goods or services	(182,872)
Net cash used in operating activities	(165,047)
Cash flows from non-capital financing activities:	
State grants received	3,069
Federal grants received	146,554
Net cash provided by non-capital financing activities	149,623
Cash flows from capital and related financing activities:	
Purchase of capital assets	(935)
Cash flows from investing activities:	
Interest on investments	5
Net decrease in cash and cash equivalents	(16,354)
Cash and cash equivalents at beginning of year	27,140
Cash and cash equivalents at end of year	\$ 10,786
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (185,557)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	23,812
Depreciation	4,306
Increase in inventories	(2,712)
Increase in accounts receivable	(6,751)
Increase in accounts payable	273
Decrease in salaries and benefits payable	(328)
Increase in unearned revenue	1,770
Increase in other postemployment benefits	140
Net cash used in operating activities	\$ (165,047)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$23,812 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash and pooled investments	<u>\$ 214,319</u>
Liabilities	<u>-</u>
Net Position	
Restricted for scholarships	<u>\$ 214,319</u>

SEE NOTES TO FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose Trust Scholarship</u>
Additions:	<u>\$ -</u>
Deductions	
Instruction:	
Other:	
Scholarships awarded	<u>20,000</u>
Change in net position	(20,000)
Net position beginning of year	<u>234,319</u>
Net position end of year	<u><u>\$ 214,319</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies

The Griswold Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Griswold, Iowa, and the predominate agricultural territory in Montgomery, Adams, Cass, and Pottawattamie 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, Griswold 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 Griswold Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but 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 Montgomery, Adams, Cass, and Pottawattamie County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services. 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 and reduced by outstanding balances for bonds 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 often has constraints on resources that are 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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary 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 other nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are 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 expenses, including instructional, support and other costs.

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

The District reports the following nonmajor proprietary fund:

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

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund is the Private Purpose Trust Fund.

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.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary 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 assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 Fund 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 nonoperating 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 Balances

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. 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, machinery, 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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Intangibles	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of property tax receivable and income surtax receivable not collected within sixty days after year end.

Deferred inflows of resources on 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.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Position in the Proprietary Funds.

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.

Fund Balances - 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 of federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the instruction and other expenditures functional areas.

Note 2. Cash and Pooled Investments

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. At June 30, 2014, the District had no investments.

Note 3. Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 306,985</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was for principal and interest payments on the District's computer loan and revenue bond indebtedness.

Note 4. 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
Business type activities:				
Machinery and equipment	\$ 124,065	935	-	125,000
Less accumulated depreciation	87,597	4,306	-	91,903
Business type activities capital assets, net	<u>\$ 36,468</u>	<u>(3,371)</u>	-	<u>33,097</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 80,747	-	-	80,747
Construction in progress	2,201,455	1,356,840	2,620,121	938,174
Total capital assets not being depreciated	2,282,202	1,356,840	2,620,121	1,018,921
Capital assets being depreciated:				
Buildings	5,890,464	-	-	5,890,464
Land improvements	226,507	2,638,789	-	2,865,296
Machinery and equipment	1,660,210	97,514	47,104	1,710,620
Total capital assets being depreciated	7,777,181	2,736,303	47,104	10,466,380
Less accumulated depreciation for:				
Buildings	2,794,946	119,915	-	2,914,861
Land improvements	54,061	143,265	-	197,326
Machinery and equipment	1,359,899	104,350	47,104	1,417,145
Total accumulated depreciation	4,208,906	367,530	47,104	4,529,332
Total capital assets being depreciated, net	3,568,275	2,368,773	-	5,937,048
Governmental activities capital assets, net	\$ 5,850,477	3,725,613	2,620,121	6,955,969

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 9,310
Other		672
Support services:		
Instructional staff		4,056
Operation and maintenance of plant		745
Transportation		89,567
		104,350
Unallocated depreciation		263,180
Total governmental activities depreciation expense		\$ 367,530
Business type activities:		
Food service operations		\$ 4,306

Note 5. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 3,000,000	-	150,000	2,850,000	155,000
Computer loan	176,340	-	80,607	95,733	82,234
Termination benefits	18,000	74,754	4,314	88,440	29,555
Net OPEB liability	63,610	15,252	-	78,862	-
Total	\$ 3,257,950	90,006	234,921	3,113,035	266,789
Business type activities:					
Net OPEB liability	\$ 584	140	-	724	-

Revenue Bonds

Details of the District’s June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue dated June 1, 2012			
	Interest Rates	Principal	Interest	Total
2015	1.25%	\$ 155,000	66,869	221,869
2016	1.25	155,000	64,931	219,931
2017	1.25	160,000	62,963	222,963
2018	1.25	160,000	60,962	220,962
2019	1.50	165,000	58,725	223,725
2020-2024	1.80-2.75	860,000	243,197	1,103,197
2025-2029	2.75-3.40	980,000	118,199	1,098,199
2030	3.40	215,000	3,655	218,655
		<u>\$ 2,850,000</u>	<u>679,501</u>	<u>3,529,501</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,000,000 of bonds issued June 2012. The bonds were issued for the purpose of financing various construction projects including parking lot and roof projects. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 43% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$3,529,501. For the current year, \$150,000 of principal and \$68,775 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$516,866.

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

- a) \$225,522 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Moneys in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any moneys remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Computer Loan

During the year ended June 30, 2012, the District took out a loan with a local bank to provide funds for the purchase of computer equipment associated with the District’s 1:1 initiative. The loan is payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund. Details of the District’s indebtedness under the loan agreement at June 30, 2014 are as follows:

Year Ending June 30,	Computer Loan dated August 17, 2011			
	Interest Rates	Principal	Interest	Total
2015	2.00%	\$ 82,234	1,164	83,398
2016	2.00	13,499	33	13,532
		<u>\$ 95,733</u>	<u>1,197</u>	<u>96,930</u>

Termination Benefits

The District offered a voluntary early retirement plan to its certified employees in fiscal years 2013 and 2014. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to years of service multiplied by the amounts from the early retirement schedule found in the District’s early retirement policy. These benefits are subject to a maximum of \$18,750 per individual. The District has an obligation to five retirees for \$88,440 at June 30, 2014. Early retirement benefits of \$4,314 were paid during the year ended June 30, 2014.

Note 6. 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 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 \$347, 948, \$319,168 and \$268,103, respectively, equal to the required contributions for each year.

Note 7. Other Postemployment Benefits

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 57 active and 0 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark Blue Cross Blue Shield. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which result 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 Districts 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	\$ 17,477
Interest on net OPEB obligation	1,605
Adjustment to annual required contribution	(3,690)
Annual OPEB cost	<u>15,392</u>
Contributions made	-
Increase in net OPEB obligation	<u>15,392</u>
Net OPEB obligation beginning of year	<u>64,194</u>
Net OPEB obligation end of year	<u><u>\$ 79,586</u></u>

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

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 23,378	17.5%	\$ 49,128
2013	15,066	0.0	64,194
2014	15,392	0.0	79,586

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 \$143,110, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$143,110. The covered payroll (annual payroll of active employees covered by the plan) was \$3,173,899, and the ratio of the UAAL to covered payroll was 4.5%. 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 event 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, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of 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 RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Risk Management

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$234,294 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.

Note 10. Deficit Accounts/Fund Balance

The Special Revenue, Student Activity Fund had two accounts with deficit balances totaling \$3,274 at June 30, 2014.

Note 11. Budget Overexpenditure

Per the code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2014, expenditures in the instruction and other expenditures functional areas exceeded the certified budgeted amounts.

Note 12. Construction Commitment

The District has entered into various contracts totaling \$1,341,842 for a high school locker, restroom and HVAC system projects. As of June 30, 2014, costs of \$938,174 had been incurred against the various contracts and the balance remaining will be paid as work on the projects progress.

Note 13. Prospective Accounting Change

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

Note 14. Categorical Funding

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

Program	Amount
Returning dropouts and dropout prevention programs	\$ 24,092
Teacher salary supplement	96,230
Iowa early intervention block grant	31,616
Professional development for model core curriculum	50,169
Teacher development academies	1,662
Successful progression for early readers	16,544
Teacher leadership grants	7,139
Total	<u><u>\$ 227,452</u></u>

Note 15. Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is as follows:

	Net Investment In Capital Assets	Debt Service	Management Levy	School Infrastructure	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	414,458	433,005	332,522	1,249,222
Capital assets, net of accumulated depreciation	6,955,969	-	-	-	-
Revenue bond capitalized indebtedness	(2,728,785)	-	-	-	-
Unspent revenue bond proceeds	-	-	-	(121,215)	-
Computer lease payable	-	-	-	(95,733)	-
Termination benefits	-	-	(88,440)	-	-
Accrued interest payable	-	(33,946)	-	-	-
Income surtax	-	-	-	-	222,032
Net OPEB liability	-	-	-	-	(78,862)
Unassigned student activity fund balance	-	-	-	-	(3,274)
Net position (Exhibit A)	\$ 4,227,184	380,512	344,565	115,574	1,389,118

GRISWOLD COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

GRISWOLD COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES - BUDGET AND ACTUAL -
 ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2014

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds Actual	Fund Actual		Original	Final	
Revenues:						
Local sources	\$ 3,208,774	167,147	3,375,921	3,634,811	3,634,811	(258,890)
State sources	3,796,289	3,069	3,799,358	3,292,222	3,292,222	507,136
Federal sources	193,864	170,366	364,230	565,600	565,600	(201,370)
Total revenues	7,198,927	340,582	7,539,509	7,492,633	7,492,633	46,876
Expenditures/Expenses:						
Instruction	4,653,936	-	4,653,936	4,570,000	4,570,000	(83,936)
Support services	2,346,615	2,303	2,348,918	2,835,000	2,835,000	486,082
Non-instructional programs	-	350,396	350,396	1,050,000	1,050,000	699,604
Other expenditures	1,804,392	-	1,804,392	896,861	896,861	(907,531)
Total expenditures/expenses	8,804,943	352,699	9,157,642	9,351,861	9,351,861	194,219
Deficiency of revenues under expenditures	(1,606,016)	(12,117)	(1,618,133)	(1,859,228)	(1,859,228)	241,095
Other financing sources, net	20,700	-	20,700	-	-	20,700
Deficiency of revenues and other financing sources under expenditures/expenses	(1,585,316)	(12,117)	(1,597,433)	(1,859,228)	(1,859,228)	261,795
Balances beginning of year	4,567,210	48,329	4,615,539	6,298,982	6,298,982	(1,683,443)
Balances end of year	\$ 2,981,894	36,212	3,018,106	4,439,754	4,439,754	(1,421,648)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GRISWOLD COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison 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 the 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 that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2014, expenditures in the instruction and other expenditures functional areas exceeded the amounts budgeted.

GRISWOLD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014

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	-	\$ 199,304	199,304	0.0%	\$ 2,695,812	7.4%
2011	July 1, 2009	-	199,381	199,381	0.0	2,899,093	6.9
2012	July 1, 2009	-	193,072	193,072	0.0	2,995,238	6.5
2013	July 1, 2012	-	144,206	144,206	0.0	3,042,421	4.7
2014	July 1, 2012	-	143,110	143,110	0.0	3,173,899	4.5

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

GRISWOLD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
Assets					
Cash and pooled investments	\$ 429,687	59,822	489,509	414,458	903,967
Receivables:					
Property tax:					
Delinquent	3,318	-	3,318	-	3,318
Succeeding year	202,823	-	202,823	-	202,823
Total assets	\$ 635,828	59,822	695,650	414,458	1,110,108
Liabilities, deferred inflows of resources and fund balances					
Liabilities:					
Accounts payable	\$ -	5,913	5,913	-	5,913
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	202,823	-	202,823	-	202,823
Fund balances:					
Restricted for:					
Debt service	-	-	-	414,458	414,458
Management levy purposes	433,005	-	433,005	-	433,005
Student activities	-	57,183	57,183	-	57,183
Unassigned	-	(3,274)	(3,274)	-	(3,274)
Total fund balances	433,005	53,909	486,914	414,458	901,372
Total liabilities, deferred inflows of resources and fund balances	\$ 635,828	59,822	695,650	414,458	1,110,108

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GRISWOLD COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2014

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
Revenues:					
Local sources:					
Local tax	\$ 275,881	-	275,881	-	275,881
Other	12,691	216,895	229,586	-	229,586
State sources	109	-	109	-	109
Total revenues	288,681	216,895	505,576	-	505,576
Expenditures:					
Current:					
Instruction:					
Regular	4,451	-	4,451	-	4,451
Other	-	209,905	209,905	-	209,905
Support services:					
Student	4,314	-	4,314	-	4,314
Instructional staff	410	-	410	-	410
Operation and maintenance of plant	1,000	-	1,000	-	1,000
Transportation	3,487	-	3,487	-	3,487
Long-term debt:					
Principal	-	-	-	230,607	230,607
Interest and fiscal charges	-	-	-	72,318	72,318
Total expenditures	13,662	209,905	223,567	302,925	526,492
Excess(Deficiency) of revenues over(under) expenditures	275,019	6,990	282,009	(302,925)	(20,916)
Other financing sources:					
Transfer in	-	-	-	306,985	306,985
Insurance proceeds	5,163	-	5,163	-	5,163
Total other financing sources	5,163	-	5,163	306,985	312,148
Change in fund balances	280,182	6,990	287,172	4,060	291,232
Fund balances beginning of year	152,823	46,919	199,742	410,398	610,140
Fund balances end of year	\$ 433,005	53,909	486,914	414,458	901,372

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GRISWOLD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Revenue Bond Construction	Physical Plant and Equipment Levy	
Assets				
Cash and pooled investments	\$ 415,425	121,215	270,392	807,032
Receivables:				
Property tax:				
Delinquent	-	-	934	934
Succeeding year	-	-	80,504	80,504
Due from other governments	144,314	-	-	144,314
Total assets	\$ 559,739	121,215	351,830	1,032,784
Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable	\$ 348,432	-	-	348,432
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	80,504	80,504
Fund balances:				
Restricted for:				
School infrastructure	211,307	121,215	-	332,522
Physical plant and equipment	-	-	271,326	271,326
Total fund balances	211,307	121,215	271,326	603,848
Total liabilities, deferred inflows of resources and fund balances	\$ 559,739	121,215	351,830	1,032,784

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GRISWOLD COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2014

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Revenue Bond Construction	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ -	-	75,690	75,690
Other	27,668	52	34	27,754
State sources	516,866	-	30	516,896
Total revenues	544,534	52	75,754	620,340
Expenditures:				
Current:				
Support services:				
Instructional staff	87,898	-	-	87,898
Administration	104,727	-	-	104,727
Operation and maintenance of plant	8,251	-	-	8,251
Transportation	5,151	-	-	5,151
Capital outlay	846,870	420,303	-	1,267,173
Total expenditures	1,052,897	420,303	-	1,473,200
Excess(Deficiency) of revenues over(under) expenditures	(508,363)	(420,251)	75,754	(852,860)
Other financing uses:				
Transfer out	(306,985)	-	-	(306,985)
Change in fund balances	(815,348)	(420,251)	75,754	(1,159,845)
Fund balances beginning year	1,026,655	541,466	195,572	1,763,693
Fund balances end of year	\$ 211,307	121,215	271,326	603,848

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GRISWOLD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Instrumental Music	\$ 1,666	2,160	2,831	995
Vocal Music	6,784	5,342	4,428	7,698
Athletics	(4,564)	114,636	112,491	(2,419)
Annuals	13,318	10,051	8,356	15,013
Class of 2017	106	-	-	106
Class of 2016	-	4,890	2,389	2,501
Class of 2015	2,542	-	1,314	1,228
Class of 2014	1,354	-	1,354	-
Class of 2013	352	-	-	352
FFA	10,014	49,368	45,461	13,921
FHA	725	10,511	12,091	(855)
Health Services	1,216	-	-	1,216
HOSA	909	-	-	909
MS Activity	452	691	778	365
General Activity	5,681	884	1,789	4,776
FBLA	884	1,894	2,318	460
N.H.S.	1,156	635	1,040	751
Now Interest	355	20	-	375
Spanish Club	167	-	-	167
Student Council	857	2,444	2,093	1,208
5th Grade	330	4,485	3,639	1,176
Elementary Fundraiser	2,735	8,759	7,533	3,961
MS Book Fair	5	-	-	5
Adult Education	(125)	125	-	-
Total	\$ 46,919	216,895	209,905	53,909

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GRISWOLD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$2,728,036	3,121,169	3,178,087	3,515,193	3,154,939	2,885,622	2,388,717	2,126,459	2,616,166	2,427,686
Tuition	117,066	123,849	156,720	129,005	132,671	155,295	147,184	190,352	170,893	170,793
Other	363,672	288,075	345,521	407,708	372,109	461,046	287,520	324,300	315,734	204,022
State sources	3,796,289	3,031,110	3,247,733	3,042,061	2,781,860	3,104,919	3,190,512	3,030,523	2,763,327	2,668,263
Federal sources	193,864	173,527	234,894	256,016	657,493	119,731	146,427	155,058	158,878	171,340
Total	\$7,198,927	6,737,730	7,162,955	7,349,983	7,099,072	6,726,613	6,160,360	5,826,692	6,024,998	5,642,104
Expenditures:										
Current:										
Instruction:										
Regular	\$2,632,736	2,662,090	2,911,060	2,456,777	2,498,979	2,620,396	2,569,345	2,120,990	2,210,723	1,892,645
Special	1,059,647	710,353	782,790	726,834	624,716	647,639	731,015	571,774	544,821	596,605
Other	961,553	868,669	799,815	860,883	476,470	684,704	522,357	862,850	588,633	615,473
Support services:										
Student	152,545	168,866	170,424	113,897	146,286	184,846	183,364	58,264	37,068	123,521
Instructional staff	321,040	202,659	189,372	220,492	212,879	258,058	304,243	355,909	293,098	173,106
Administration	825,508	636,245	608,572	552,429	580,712	645,726	625,883	635,085	591,533	519,779
Operation and maintenance of plant	582,937	721,852	737,115	674,876	725,868	632,060	803,192	697,887	656,086	558,042
Transportation	464,585	522,214	507,884	512,928	379,167	441,440	555,498	390,723	301,266	287,520
Non-instructional programs	-	1,585	775	878	1,225	804	541	453	3,705	2,845
Capital outlay	1,267,173	1,547,226	728,576	36,142	113,295	399,302	24,967	77,691	227,282	15,669
Long-term debt:										
Principal	230,607	79,012	64,648	-	-	-	-	-	245,000	295,000
Interest and other charges	72,318	45,801	4,850	-	-	-	-	-	9,710	20,035
Other expenditures:										
AEA flow-through	234,294	224,362	224,939	254,208	248,265	213,339	206,748	192,460	186,413	185,312
Total	\$8,804,943	8,390,934	7,730,820	6,410,344	6,007,862	6,728,314	6,527,153	5,964,086	5,895,338	5,285,552

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

**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 the Griswold Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental 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 Griswold 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 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Griswold 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 Griswold Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Griswold 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 a deficiency in internal control we consider to be a material weakness.

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 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. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Griswold 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.

Griswold Community School District's Responses to Findings

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 27, 2015
Newton, Iowa

GRISWOLD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - bank reconciliations, cash receipts and the disbursement function.
- 2) Inventory - receiving, issuing, accounting and storing responsibilities, handling and recording purchases.
- 3) Receipts - collecting, depositing, journalizing, posting and reconciling.
- 4) Disbursements - approval and payment functions.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Capital assets - purchasing, recording and reconciling.
- 7) Long-term debt - maintaining bond records and cash function and payment of bonds.
- 8) Wire transfers - processing and approving.
- 9) Payroll - entering contracts into accounting system and approval, recording approved pay rates and deductions, recordkeeping, preparation and posting.
- 10) Financial reporting - preparing, reconciling and approving.
- 11) School lunch program - deposit preparation, journalizing, posting and reconciling.
- 12) Journal entries - writing, approval and posting.

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 current personnel, including elected officials.

Response - The District realizes the importance of proper segregation and will continue to reallocate duties if/where possible.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - District expenditures for the year ended June 30, 2014, exceeded the amounts budgeted in the instruction and other expenditures functional areas.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - The District will review budget calculations to ensure that future budget overages do not occur.

Conclusion - Response accepted.

II-B-14 Questionable Disbursements - We noted that the District paid sales tax on credit card purchases from Walmart, Hy-Vee and Casey's. As the District is a tax-exempt entity and paying sales tax would not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review procedures in place, and make necessary adjustments to comply with the Attorney General's opinion dated April 25, 1979.

Response - The district will review the current procedures in place and follow up with all affected employees to ensure that they are aware of the said procedures.

Conclusion - Response accepted.

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:

Name, Title and Business Connection	Transaction Description	Amount
Diane Keiser, Technology Coordinator Owns Hano's Printing	Printing services	\$ 712
Bob Amos, Coach Owns Bob's Mowing	Services	11,369
Ray Ficek, Coach Michelle Ficek, Para-educator Owns 4th St Graphix	Services	4,070
Kathy Rush, Bus Driver Spouse owns Rush Electric	Services	4,867
Larry Perdue, Bus Driver Daughter owns Sandbothe Firestone	Supplies/Services	9,848

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with District employees that own their own businesses do not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the spouse of Kathy Rush and the daughter of Larry Perdue do 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 should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-14 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-14 Supplementary Weighting - We noted variances regarding the supplementary weighting certified to the Iowa Department of Education were noted. The District's supplementary weighting certified to the Iowa Department of Education was understated by 0.009.

Recommendation - The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve the issue.

Response - Our auditors will contact the Iowa Department of Education and Iowa Department of Management on our behalf.

Conclusion - Response accepted.

II-I-14 Deposits and Investments - We noted 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.

II-J-14 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

II-K-14 Categorical Funding - We noted during our audit that the District assigns a percentage of an employee's salary to be coded as dropout prevention expenses based on a budget. After discussion with personnel, it was determined that the percentage used by the District appeared unreasonable when compared to the actual amount of time spent on the dropout prevention program by the counselors. Upon further review, it was determined that the percentage of salary to be coded to dropout prevention for that employee was entered incorrectly in the District's software system. The following shows the adjustment made by the District to the ending restricted balance for the dropout prevention program:

	<u>Restricted Balance on District's CAR</u>	<u>Amount of Expense Adjustment</u>	<u>Audited Ending Restricted Balance</u>
Dropout and dropout prevention	\$ -	24,092	24,092

Recommendation - The District should review the current staff coding in the District's accounting software to ensure that the salary paid is being coded to the appropriate categorical funding source. The expenses coded to categorical funds should be actual and direct costs rather than budgeted or proposed amounts. The District should contact the Iowa Department of Education regarding corrective action required.

Response - The District is aware of the coding of percentages needs to be accurate. Allocation of expenditures will be reviewed in closer detail to ensure that proper coding is maintained going forward. The District will notify the Department of Education to obtain instruction regarding the appropriate corrective action.

Conclusion - Response accepted.

II-L-14 Financial Condition - We noted two Student Activity Fund accounts that had a deficit balance totaling \$3,274 at June 30, 2014.

Recommendation - The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response - Action will be taken as necessary to return accounts to a sound financial condition and maintain a sound financial condition.

Conclusion - Response accepted.

II-M-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 following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2014 audit:

Beginning Balance		\$ 1,026,655
Revenues:		
Sales tax revenue	\$ 516,866	
Other local revenues	27,668	544,534
		<u>1,571,189</u>
Expenditures:		
School infrastructure construction	846,870	
Equipment	101,300	
Other	104,727	
Transfers to other funds		
Debt service	306,985	1,359,882
		<u>1,359,882</u>
Ending Balance		<u>\$ 211,307</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-N-14 Scholarship Awards - We noted scholarships being paid to students from the FFA and FCCLA accounts within the Student Activity Fund. We also noted that the checks written by the District for the award were made payable to the student only.

Recommendation - Scholarships are more appropriately paid from the Private Purpose Trust Fund; therefore, funds intended for scholarships should be receipted into and expended from the Private Purpose Trust Fund. Additionally, scholarship checks should be written to the School the student is attending and the student. A scholarship is tax free if you are a degree candidate and the award is used to pay for tuition and required fees, books, supplies and equipment. Any amounts used to pay for room and board and a stipend for living expenses is taxable. By issuing the check to the college or university the college will properly report the student's 1098T. If the District wishes to make the checks payable to the student, the District should issue a W-2 for the scholarship amount. The scholarship amount would then be subject to federal and state taxes, but not Social Security or Medicare taxes.

Response - Procedures have been updated to issue checks payable to the institution of higher education for the benefit of the student. The scholarships are also in the process of being moved from the Student Activity Fund to a Trust Fund.

Conclusion - Response accepted.

II-O-14 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund athletic officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - Procedures will be updated to reflect the requirement that the Board President sign District contracts.

Conclusion - Response accepted.

II-P-14 Checks Outstanding - We noted during our audit that the District had checks included in the School Nutrition, Student Activity and General Fund bank reconciliations which have been outstanding for over a year.

Recommendation - The District should research the outstanding checks to determine if they should be re-issued. Once checks have been outstanding for two years, the checks should be submitted to the Treasurer of Iowa as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st.

Response - The District will review outstanding checks and take appropriate action to conform with Chapter 556.1 (10) and 556.11 of the Code of Iowa.

Conclusion - Response accepted.

II-Q-14 Payroll Authorization - We noted that the District physically mails payroll checks to employees without authorization required by Chapter 91A.3 of the Iowa Code.

Recommendation - The District should have the employee's signed authorization to mail payroll checks to comply with Chapter 91A.3 of the Iowa Code.

Response - The District will review outstanding checks and take appropriate action to conform with Chapter 556.1 (10) and 556.11 of the Code of Iowa.

Conclusion - Response accepted.

II-R-14 District and Regional Rents - We noted during our audit that the District received money for the use of facilities when hosting district and regional athletic events, but those revenues were recorded into the Student Activity Fund.

Recommendation - Chapter 297.9 of the code of Iowa requires rental income to be receipted into the General Fund. The District should receipt rent collected for facility usage into the General Fund. We are requesting a corrective transfer from the Student Activity Fund to the General Fund in the amount of \$1,032.

Response - Entries will be made to move the income to the General Fund.

Conclusion - Response accepted.

II-S-14 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the co-curricular and extracurricular activities offered as a part of the education program for students. More specific examples of these instances of questioned items and recommendations are as follows:

Inactive Accounts - We noted accounts being maintained in the Student Activity Fund that appear to be inactive.

HOSA - We noted this account has not had expenditures since 2012.

Spanish Club - We noted this account has not had expenditures since 2011.

Recommendation - The District should review these accounts with the Activities Director and determine if the accounts should be closed. The remaining funds should be reallocated amongst the other student activity fund accounts based on recommendations made by the Activities Director and approved by the District's Board of Directors.

Response - The District will review the accounts and reallocate/close accounts as necessary.

Conclusion - Response accepted.

Questionable Accounts - We noted accounts in the Student Activity Fund that do not appear to be extracurricular or cocurricular in nature. We also noted that these accounts appear to be inactive.

MS Book Fair - We noted this account has not had expenditures since 2011 and it appears that this account is used to account for book fairs which are more appropriately handled in the General Fund.

Health Services - We noted this account has not had expenditures since 2009. It also appears that this account is not an extracurricular or cocurricular activity and is more appropriately accounted for in the General Fund.

Recommendation - These accounts do not appear to be appropriate in the Student Activity Fund per Chapter 298A.8 of the Iowa Code and should be transferred to the more appropriate General Fund.

Response - The District will review the accounts and move them to the General Fund as necessary.

Conclusion - Response accepted.

Graduated Class Account - We noted a Class of 2013 account being maintained by the District.

Recommendation - At year end, class officers of the graduating class should decide what happens with unused class funds. The remaining moneys in the graduating class account should be reclassified to the proper fund according to the class' wishes. Unused funds are to remain in the student activity fund and the remaining funds should be redistributed amongst other activity fund accounts or used for startup funds for the next incoming class. Since the District is unable to determine what the wishes were for previous classes, the remaining moneys in the Graduate Class Contributions account should be reallocated amongst the other student activity fund accounts based on recommendations made by the Activities Director and approved by the District's Board of Directors.

Response - Student Activity accounts will be reviewed. Accounts that are no longer valid will be redistributed and closed as necessary.

Conclusion - Response accepted.

Interest Account - We noted during our audit that the Student Activity Fund has an interest account. It appears that interest earned during the year has not been allocated to individual accounts in the Student Activity Fund that have earned the interest. With the high carryover balance in the interest account, it would appear that the interest has not been allocated for several years.

Recommendation - Interest earned each year should be allocated to the individual student activity accounts that have earned the interest. The District's Board of Directors should develop a workout plan to gradually reduce the carryover balance in the interest account to zero.

Response - The District will work to allocate the interest appropriately and eventually close the interest account.

Conclusion - Response accepted.