

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

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

YEAR ENDED JUNE 30, 2015

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**Gilmore City-Bradgate Community School District
Gilmore City, Iowa**

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Tawny Hoover	President	2015
Beau Jergens	Vice President	2017
Marsha Hubben	Board Member	2017
Deb Lanus	Board Member	2015
Judy Marchant	Board Member	2017
School Officials		
Jeff Herzberg	Superintendent	2015
Julie Dickey	District Secretary/Treasurer Business Manager	2015
Rick Engel	Attorney	Indefinite

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Certified Public Accountants

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Independent Auditor's Report

To the Board of Education of
Gilmore City-Bradgate Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Gilmore City-Bradgate Community School District, Gilmore City, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Gilmore City-Bradgate Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 12 to the financial statements, Gilmore City-Bradgate Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 15 and 56 through 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gilmore City-Bradgate Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. Other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 2, 2016 on our consideration of Gilmore City-Bradgate Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Gilmore City-Bradgate Community School District's internal control over financial reporting and compliance.

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

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

March 2, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Gilmore City-Bradgate Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$1,512,487 in fiscal year 2014 to \$1,639,660 in fiscal year 2015, while General Fund expenditures decreased from \$1,418,148 in fiscal year 2014 to \$1,394,224 in fiscal year 2015. The District's General Fund balance increased from \$197,298 at the end of fiscal year 2014 to \$442,734 at the end of fiscal year 2015, a 124% increase.
- The fiscal year 2015 General Fund revenue increase was attributable to increases in local taxes and tuition revenue. The decrease in expenditures was due primarily to a decrease in instructional expenditures. As a result, the District was able to increase fund balance.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Gilmore City-Bradgate Community School District as a whole and present an overall view of the District's finances.

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

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

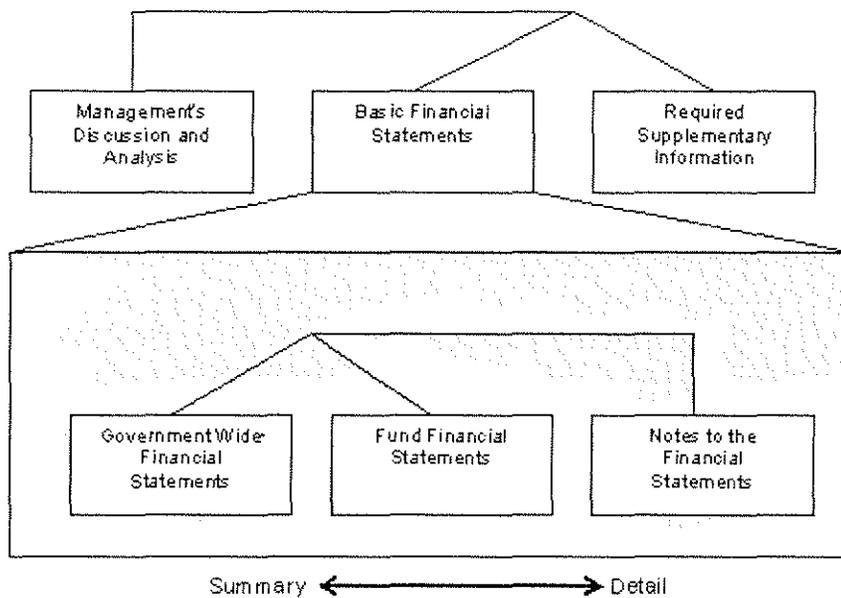


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide	Fund Statements		
	Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • 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, 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 deferred outflow/inflow information	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

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

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

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2014 (Not restated)		June 30, 2014 (Not restated)		June 30, 2014 (Not restated)		June 30, 2014-2015
	2015	restated)	2015	restated)	2015	restated)	2014-2015
Current and other assets	\$ 2,448	2,565	14	6	2,462	2,571	-4.2%
Capital assets	635	524	---	---	635	524	21.2%
Total assets	<u>3,083</u>	<u>3,089</u>	<u>14</u>	<u>6</u>	<u>3,097</u>	<u>3,095</u>	<u>0.1%</u>
Deferred outflows of resources	61	---	16	---	77	---	100.0%
Long-term liabilities	437	171	75	---	512	171	199.4%
Other liabilities	60	112	35	13	95	125	-24.0%
Total liabilities	<u>497</u>	<u>283</u>	<u>110</u>	<u>13</u>	<u>607</u>	<u>296</u>	<u>105.1%</u>
Deferred inflows of resources	<u>1,096</u>	<u>1,027</u>	<u>59</u>	<u>---</u>	<u>1,155</u>	<u>1,027</u>	<u>12.5%</u>
Net position:							
Net investment in capital assets	635	524	---	---	635	524	21.2%
Restricted	880	1,074	---	---	880	1,074	-18.1%
Unrestricted	36	181	(139)	(7)	(103)	174	-159.2%
Total net position	<u>\$ 1,551</u>	<u>1,779</u>	<u>(139)</u>	<u>(7)</u>	<u>1,412</u>	<u>1,772</u>	<u>-20.3%</u>

The District's total net position decreased 20.3%, or approximately \$360,000 from the prior year. A portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$194,000 or 18% from the prior year. The decrease was primarily a result of an increase in the Capital Projects Fund.

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 approximately \$277,000 or 159%. This reduction in unrestricted net position was primarily a result of the District's net pension liability and pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$507,874 and \$131,780, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2015 (Not restated)	2014	2015 (Not restated)	2014	2015 (Not restated)	2014-2015
Revenues:							
Program revenues:							
Charges for service	\$ 57	60	96	109	153	169	-9.5%
Operating grants, contributions and restricted interest	268	282	85	61	353	343	2.9%
Capital grants, contributions and restricted interest	---	4	---	---	---	4	-100.0%
General revenues:							
Property tax	1,032	872	---	---	1,032	872	18.3%
Statewide sales, services and use tax	133	84	---	---	133	84	58.3%
Income surtax	78	110	---	---	78	110	-29.1%
Unrestricted state grants	306	315	---	---	306	315	-2.9%
Unrestricted investment earnings	2	2	---	---	2	2	0.0%
Other	12	11	6	6	18	17	5.9%
Sale of fixed assets	(13)	---	---	---	(13)	---	-100.0%
Total revenues	1,875	1,740	187	176	2,062	1,916	7.6%
Program expenses:							
Instruction	901	982	---	---	901	982	-8.2%
Support services	483	446	4	7	487	453	7.5%
Non-instructional programs	3	6	183	174	186	180	3.3%
Other expenses	208	175	---	---	208	175	18.9%
Total expenses	1,595	1,609	187	181	1,782	1,790	-0.4%
Change in net position	280	131	---	(5)	280	(126)	322.2%
Net position beginning of year, as restated	1,271	1,648	(139)	(2)	1,132	1,646	-31.2%
Net position end of year	\$ 1,551	1,779	(139)	(7)	1,412	1,772	-20.3%

In fiscal year 2015, property tax and unrestricted state grants account for 71.4% of governmental activities revenue while charges for service and operating grants and contributions account for 96.8% of the revenue from business type activities.

The District's total revenues were approximately \$2.1 million, of which approximately \$1.9 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7.6% increase in revenues and a 0.4% decrease in expenses.

Governmental Activities

Revenues for governmental activities were \$1,874,882 and expenses were \$1,594,913 for the year ended June 30, 2015. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

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

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-2015	2015	2014 (Not restated)	Change 2014-2015
Instruction	\$ 901	982	-8.2%	653	732	-10.8%
Support services	483	446	8.3%	477	423	12.8%
Non-instructional programs	3	6	-50.0%	2	4	-50.0%
Other expenses	208	175	18.9%	139	104	33.7%
Total	\$ 1,595	1,609	-0.9%	1,271	1,263	0.6%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$56,791.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$267,441.
- The net cost of governmental activities was financed with \$1,242,833 in property and other taxes and \$306,387 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2015 were \$185,753, representing a 5.3% increase over the prior year, while expenses totaled \$186,287, a 2.8% increase from the prior year. The District's business type activities include the School Nutrition Fund and the Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

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

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,438,945, above last year's ending fund balances of \$1,363,791.

Governmental Fund Highlights

- The General Fund balance increased from \$197,298 to \$442,734 due, in part, to an increase in local tax revenue during the year.
- The Management Fund balance decreased from \$469,353 to \$416,920. The decrease was due mainly to a decrease in property tax revenue.
- The Capital Projects Fund balance decreased from \$690,706 in fiscal 2014 to \$572,451 in fiscal 2015. The decrease was due to an increase in expenditures.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from a deficit of \$36,925 at June 30, 2014 to a deficit of \$45,212 at June 30, 2015. Fee increases weren't enough to cover the increase in food costs resulting in a decrease in the net position of the Nutrition Fund.

Daycare Fund net position increased from a deficit of \$101,947 at June 30, 2014 to a deficit of \$94,194 at June 30, 2015. Contributions include donations from the City of Gilmore City.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$93,107 more than total budgeted revenues, a variance of 4.7%.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested approximately \$0.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 21.1% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$105,031.

The original cost of the District's capital assets was approximately \$1.9 million. Governmental funds account for approximately \$1.9 million, with the less than \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$ 7	7	---	---	7	7	0.0%
Buildings	339	320	---	---	339	320	5.9%
Improvements other than buildings	102	103	---	---	102	103	-1.0%
Furniture and equipment	187	94	---	---	187	94	98.9%
Total	\$ 635	524	---	---	635	524	21.1%

Long-Term Debt

At June 30, 2015, the District had \$108,198 in total long-term debt outstanding. This represents a decrease of approximately 22% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

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

	<u>Total</u>		<u>Total</u>
	<u>District</u>		<u>Change</u>
	<u>June 30,</u>		<u>June 30,</u>
	<u>2015</u>	<u>2014</u>	<u>2014-2013</u>
Termination benefits	\$ 108	138	-21.8%

ECONOMIC FACTORS BEARING ON THE DISTRICT’S FUTURE

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

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

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide the District’s citizens, taxpayers, customers, investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Julie Dickey, Secretary/Treasurer and Business Manager, Gilmore City-Bradgate Community School District, 402 SE E Ave., Gilmore City, Iowa, 50541.

Basic Financial Statements

Gilmore City-Bradgate Community School District
Gilmore City, Iowa

Exhibit A

Statement of Net Position

June 30, 2015

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,405,651	-	1,405,651
Receivables:			
Property tax:			
Delinquent	8,044	-	8,044
Succeeding year	867,223	-	867,223
Accounts	-	11,892	11,892
Due from other governments	100,325	-	100,325
Due from other funds	34,472	(34,472)	-
Inventories	-	2,198	2,198
Prepaid expense	31,908	-	31,908
Capital assets, net of accumulated depreciation	635,370	-	635,370
Total assets	3,082,993	(20,382)	3,062,611
 Deferred Outflows of Resources			
Pension related deferred outflows	61,443	15,943	77,386
 Liabilities			
Accounts payable	59,157	590	59,747
Early retirement payable	1,731	-	1,731
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	17,218	-	17,218
Portion due after one year:			
Early retirement payable	90,980	-	90,980
Net pension liability	289,458	75,107	364,565
Net OPEB liability	39,051	-	39,051
Total liabilities	497,595	75,697	573,292
 Deferred Inflows of Resources			
Unavailable property tax revenue	867,223	-	867,223
Pension related deferred inflows	228,427	59,270	287,697
Total deferred inflows of resources	1,095,650	59,270	1,154,920

(continued)

Gilmore City-Bradgate Community School District
 Gilmore City, Iowa

Exhibit A

Statement of Net Position

June 30, 2015

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	635,370	-	635,370
Restricted for:			
Categorical funding	23,878	-	23,878
Management levy purposes	308,722	-	308,722
School infrastructure	272,387	-	272,387
Physical plant and equipment	268,156	-	268,156
Student activities	6,840	-	6,840
Unrestricted	35,838	(139,406)	(103,568)
	<u>\$ 1,551,191</u>	<u>(139,406)</u>	<u>1,411,785</u>
Total net position			

See notes to financial statements.

Gilmore City-Bradgate Community School District
 Gilmore City, Iowa
 Statement of Activities
 Year ended June 30, 2015

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<u>Functions/Programs:</u>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 625,718	46,233	101,128	-
Special instruction	189,408	3,696	29,373	-
Other instruction	86,037	6,862	61,170	-
	<u>901,163</u>	<u>56,791</u>	<u>191,671</u>	<u>-</u>
Support services:				
Student	6,592	-	424	-
Instructional staff	42,193	-	1,669	-
Administration	226,074	-	53	-
Operation and maintenance of plant	103,929	-	-	-
Transportation	104,347	-	3,605	-
	<u>483,135</u>	<u>-</u>	<u>5,751</u>	<u>-</u>
Non-instructional programs	2,968	-	1,301	-
Other expenditures:				
Facilities acquisition	87,690	-	3,492	-
AEA flowthrough	65,226	-	65,226	-
Depreciation (unallocated)*	54,731	-	-	-
	<u>207,647</u>	<u>-</u>	<u>68,718</u>	<u>-</u>
Total governmental activities	<u>1,594,913</u>	<u>56,791</u>	<u>267,441</u>	<u>-</u>
Business type activities:				
Support services:				
Administration	852	-	-	-
Operation and maintenance of plant	2,680	-	-	-
Non-instructional programs:				
Day care	121,706	92,575	37,604	-
Food service operations	61,049	2,938	46,671	-
Total business type activities	<u>186,287</u>	<u>95,513</u>	<u>84,275</u>	<u>-</u>
Total	<u>\$ 1,781,200</u>	<u>152,304</u>	<u>351,716</u>	<u>-</u>

General Revenues:

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

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business Type Activities	Total
(478,357)	-	(478,357)
(156,339)	-	(156,339)
(18,005)	-	(18,005)
<u>(652,701)</u>	<u>-</u>	<u>(652,701)</u>
(6,168)	-	(6,168)
(40,524)	-	(40,524)
(226,021)	-	(226,021)
(103,929)	-	(103,929)
(100,742)	-	(100,742)
<u>(477,384)</u>	<u>-</u>	<u>(477,384)</u>
(1,667)	-	(1,667)
(84,198)	-	(84,198)
-	-	-
(54,731)	-	(54,731)
(138,929)	-	(138,929)
<u>(1,270,681)</u>	<u>-</u>	<u>(1,270,681)</u>
-	(852)	(852)
-	(2,680)	(2,680)
-	8,473	8,473
-	(11,440)	(11,440)
-	(6,499)	(6,499)
<u>(1,270,681)</u>	<u>(6,499)</u>	<u>(1,277,180)</u>
937,191	-	937,191
94,292	-	94,292
132,961	-	132,961
78,389	-	78,389
306,387	-	306,387
2,311	-	2,311
12,230	5,965	18,195
(13,111)	-	(13,111)
<u>1,550,650</u>	<u>5,965</u>	<u>1,556,615</u>
279,969	(534)	279,435
1,271,222	(138,872)	1,132,350
<u>\$ 1,551,191</u>	<u>(139,406)</u>	<u>1,411,785</u>

Gilmore City-Bradgate Community School District
Gilmore City, Iowa

Balance Sheet
Governmental Funds

June 30, 2015

	<u>General</u>	<u>Special Revenue Management</u>
Assets		
Cash and cash equivalents	\$ 436,053	418,651
Receivables:		
Property tax:		
Delinquent	7,318	-
Succeeding year	771,700	-
Due from other funds	34,472	-
Due from other governments	92,088	-
Prepaid expense	-	-
Total assets	<u>\$ 1,341,631</u>	<u>418,651</u>
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities:		
Accounts payable	\$ 57,001	-
Early retirement payable	-	1,731
Total liabilities	<u>57,001</u>	<u>1,731</u>
Deferred inflows of resources:		
Unavailable revenues:		
Succeeding year property tax	771,700	-
Income surtax	70,196	-
Total deferred inflows of resources	<u>841,896</u>	<u>-</u>
Fund balances:		
Nonspendable for:		
Prepaid expenses	-	-
Restricted for:		
Categorical funding	23,878	-
Management levy purposes	-	416,920
Student activities	-	-
School infrastructure	-	-
Physical plant and equipment	-	-
Unassigned	418,856	-
Total fund balances	<u>442,734</u>	<u>416,920</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,341,631</u>	<u>418,651</u>

See notes to financial statements.

Schedule C

<u>Capital Projects</u>	<u>Nonmajor Special Revenue Student Activity</u>	<u>Total</u>
533,534	6,840	1,395,078
726	-	8,044
95,523	-	867,223
-	-	34,472
8,237	-	100,325
31,908	-	31,908
<u>669,928</u>	<u>6,840</u>	<u>2,437,050</u>
1,954	-	58,955
-	-	1,731
<u>1,954</u>	<u>-</u>	<u>60,686</u>
95,523	-	867,223
-	-	70,196
<u>95,523</u>	<u>-</u>	<u>937,419</u>
31,908	-	31,908
-	-	23,878
-	-	416,920
-	6,840	6,840
272,387	-	272,387
268,156	-	268,156
-	-	418,856
<u>572,451</u>	<u>6,840</u>	<u>1,438,945</u>
<u>669,928</u>	<u>6,840</u>	<u>2,437,050</u>

Gilmore City-Bradgate Community School District
Gilmore City, Iowa

Exhibit D

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

June 30, 2015

Total fund balances of governmental funds (page 21) \$ 1,438,945

*Amounts reported for governmental activities in the Statement of Net Position
are different because:*

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported as assets in the governmental funds. 635,370

Other long-term assets are not available to pay current period expenditures and,
therefore, are recognized as deferred inflows of resources in the governmental
funds. 70,196

Pension related deferred outflows of resources and deferred inflows of resources
are not due and payable in the current year and, therefore, are not reported in the
governmental funds, as follows:

Deferred outflows of resources	\$ 61,443	
Deferred inflows of resources	<u>(228,427)</u>	(166,984)

Long-term liabilities, including bonds payable, early retirement payable and
other postemployment benefits payable, are not due and payable in the current
period and, therefore, are not reported in the governmental funds. (436,707)

An internal service fund is used by the District to charge costs of the medical
deductible reimbursement plan to the individual funds. The assets and liabilities
of the internal service fund are included with governmental activities. 10,371

Net position of governmental activities (page 17) \$ 1,551,191

See notes to financial statements.

Gilmore City-Bradgate Community School District
 Gilmore City, Iowa
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year ended June 30, 2015

	<u>General</u>	<u>Special Revenue Management</u>
Revenues:		
Local sources:		
Local tax	\$ 1,007,532	-
Tuition	48,222	-
Other	11,969	3,834
State sources	499,803	-
Federal sources	69,802	-
Total revenues	<u>1,637,328</u>	<u>3,834</u>
Expenditures:		
Current:		
Instruction:		
Regular	626,392	28,872
Special	198,606	-
Other	86,506	-
	<u>911,504</u>	<u>28,872</u>
Support services:		
Student	7,157	-
Instructional staff	41,674	1,780
Administration	195,162	7,340
Operation and maintenance of plant	93,102	12,711
Transportation	79,098	3,784
	<u>416,193</u>	<u>25,615</u>
Non-instructional programs	1,301	1,780
Other expenditures:		
Facilities acquisition	-	-
AEA flowthrough	65,226	-
	<u>65,226</u>	<u>-</u>
Total expenditures	<u>1,394,224</u>	<u>56,267</u>
Excess (deficiency) of revenues over (under) expenditures	<u>243,104</u>	<u>(52,433)</u>
Other financing sources :		
Proceeds from sale of fixed assets	2,332	-
Total other financing sources	<u>2,332</u>	<u>-</u>
Change in fund balances	245,436	(52,433)
Fund balances beginning of year	<u>197,298</u>	<u>469,353</u>
Fund balances end of year	<u>\$ 442,734</u>	<u>416,920</u>

See notes to financial statements.

Exhibit E

Capital Projects	Nonmajor Special Revenue Student Activity	Total
94,292	-	1,101,824
-	-	48,222
445	6,862	23,110
137,184	-	636,987
-	-	69,802
<u>231,921</u>	<u>6,862</u>	<u>1,879,945</u>
-	-	655,264
-	-	198,606
-	6,456	92,962
-	6,456	946,832
-	-	7,157
-	-	43,454
56,430	-	258,932
-	-	105,813
93,179	-	176,061
<u>149,609</u>	-	<u>591,417</u>
-	-	3,081
200,567	-	200,567
-	-	65,226
<u>200,567</u>	-	<u>265,793</u>
<u>350,176</u>	<u>6,456</u>	<u>1,807,123</u>
(118,255)	406	72,822
-	-	2,332
-	-	2,332
(118,255)	406	75,154
<u>690,706</u>	<u>6,434</u>	<u>1,363,791</u>
<u>572,451</u>	<u>6,840</u>	<u>1,438,945</u>

Gilmore City-Bradgate Community School District
 Gilmore City, Iowa

Exhibit F

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

Year ended June 30, 2015

Change in fund balances - total governmental funds (page 24) \$ 75,154

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

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

Expenditures for capital assets	\$ 231,743	
Depreciation expense	(105,031)	
Proceeds from sale of fixed assets	(2,332)	
Loss on sale of fixed assets	<u>(13,111)</u>	111,269

Certain delinquent property tax, unspent grant proceeds and income surtax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 8,048

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 45,523

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	30,120	
Pension expense	5,909	
Other postemployment benefits	<u>(6,425)</u>	29,604

Gilmore City-Bradgate Community School District
Gilmore City, Iowa

Exhibit F

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

Year ended June 30, 2015

An internal service fund is used to charge the cost of the medical deductible reimbursement plan to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

10,371

Change in net position of governmental activities (page 19)

\$ 279,969

See notes to financial statements.

Gilmore City-Bradgate Community School District
Gilmore City, Iowa

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2015

	<u>Major</u> Day <u>Care</u>	<u>Nonmajor</u> School <u>Nutrition</u>	<u>Total</u>	<u>Governmental</u> Activities - Internal <u>Service Fund</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ -	-	-	10,573
Accounts receivable	8,060	3,832	11,892	-
Inventories	-	2,198	2,198	-
Total current assets	<u>8,060</u>	<u>6,030</u>	<u>14,090</u>	<u>10,573</u>
Total assets	<u>8,060</u>	<u>6,030</u>	<u>14,090</u>	<u>10,573</u>
 Deferred Outflows of Resources				
Pension related deferred outflows	<u>13,099</u>	<u>2,844</u>	<u>15,943</u>	<u>-</u>
 Liabilities				
Current liabilities:				
Accounts payable	150	440	590	202
Due to other funds	4,796	29,676	34,472	-
Total current liabilities	<u>4,946</u>	<u>30,116</u>	<u>35,062</u>	<u>202</u>
Noncurrent liabilities:				
Net pension liability	<u>61,709</u>	<u>13,398</u>	<u>75,107</u>	<u>-</u>
Total liabilities	<u>66,655</u>	<u>43,514</u>	<u>110,169</u>	<u>202</u>
 Deferred Inflows of Resources				
Pension related deferred inflows	<u>48,698</u>	<u>10,572</u>	<u>59,270</u>	<u>-</u>
 Net Position				
Unrestricted	<u>(94,194)</u>	<u>(45,212)</u>	<u>(139,406)</u>	<u>10,371</u>
Total net position	<u><u>\$ (94,194)</u></u>	<u><u>(45,212)</u></u>	<u><u>(139,406)</u></u>	<u><u>10,371</u></u>

See notes to financial statements

Gilmore City-Bradgate Community School District
Gilmore City, Iowa

Exhibit H

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

Year ended June 30, 2015

	<u>Major</u> Day <u>Care</u>	<u>Nonmajor</u> School <u>Nutrition</u>	<u>Total</u>	<u>Governmental</u> <u>Activities -</u> <u>Internal</u> <u>Service Fund</u>
Operating revenues:				
Local sources:				
Charges for service	\$ 92,575	2,938	95,513	-
Miscellaneous	2,360	3,606	5,966	10,573
Total operating revenue	<u>94,935</u>	<u>6,544</u>	<u>101,479</u>	<u>10,573</u>
Operating expenses:				
Support services:				
Administration	852	-	852	202
Operation and maintenance of plant	2,228	452	2,680	-
	<u>3,080</u>	<u>452</u>	<u>3,532</u>	<u>202</u>
Non-instructional programs:				
Salaries	108,774	23,598	132,372	-
Benefits	7,060	1,531	8,591	-
Purchased services	84	-	84	-
Supplies	5,788	35,920	41,708	-
	<u>121,706</u>	<u>61,049</u>	<u>182,755</u>	<u>-</u>
Total operating expenses	<u>124,786</u>	<u>61,501</u>	<u>186,287</u>	<u>202</u>
Operating income (loss)	<u>(29,851)</u>	<u>(54,957)</u>	<u>(84,808)</u>	<u>10,371</u>
Non-operating revenues:				
State sources	4,254	378	4,632	-
Federal sources	12,929	46,292	59,221	-
Contributions	20,421	-	20,421	-
Total non-operating revenues	<u>37,604</u>	<u>46,670</u>	<u>84,274</u>	<u>-</u>
Increase (decrease) in net position	7,753	(8,287)	(534)	10,371
Net position beginning of year, as restated	<u>(101,947)</u>	<u>(36,925)</u>	<u>(138,872)</u>	<u>-</u>
Net position end of year	<u>\$ (94,194)</u>	<u>(45,212)</u>	<u>(139,406)</u>	<u>10,371</u>

See notes to financial statements.

Gilmore City-Bradgate Community School District
Gilmore City, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2015

	<u>Major</u>	<u>Nonmajor</u>		<u>Governmental</u>
	<u>Day</u>	<u>School</u>	<u>Total</u>	<u>Activities -</u>
	<u>Care</u>	<u>Nutrition</u>		<u>Internal</u>
				<u>Service Fund</u>
Cash flows from operating activities:				
Cash received from sale of services, lunches and breakfasts	\$ 86,072	2,274	88,346	-
Cash received from miscellaneous operating activities	2,360	3,606	5,966	10,573
Cash paid to employees for services	(126,799)	(27,510)	(154,309)	-
Cash paid to suppliers for goods or services	(9,151)	(34,434)	(43,585)	-
Net cash used provided by (used by) operating activities	<u>(47,518)</u>	<u>(56,064)</u>	<u>(103,582)</u>	<u>10,573</u>
Cash flows from non-capital financing activities:				
Interfund loans received (repaid)	4,796	12,612	17,408	-
State grants received	4,254	378	4,632	-
Federal grants received	12,929	43,074	56,003	-
Contributions	20,421	-	20,421	-
Net cash provided by non-capital financing activities	<u>42,400</u>	<u>56,064</u>	<u>98,464</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(5,118)	-	(5,118)	10,573
Cash and cash equivalents beginning of year	<u>5,118</u>	<u>-</u>	<u>5,118</u>	<u>-</u>
Cash and cash equivalents end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>10,573</u>

See notes to financial statements.

Gilmore City-Bradgate Community School District
Gilmore City, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2015

	<u>Major</u>	<u>Nonmajor</u>		<u>Governmental</u>
	<u>Day</u>	<u>School</u>	<u>Total</u>	<u>Activities -</u>
	<u>Care</u>	<u>Nutrition</u>		<u>Internal</u>
				<u>Service Fund</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:				
Operating income (loss)	\$ (29,851)	(54,957)	(84,808)	10,371
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Commodities used	-	3,082	3,082	-
(Increase) decrease in inventories	-	(1,137)	(1,137)	-
(Increase) decrease in accounts receivable	(6,503)	(664)	(7,167)	-
Increase (decrease) in accounts payable	(199)	(7)	(206)	202
(Increase) decrease in net pension liability	(55,656)	(12,083)	(67,739)	-
(Increase) decrease in deferred outflows of resources	(4,007)	(870)	(4,877)	-
Increase (decrease) in deferred inflows of resources	<u>48,698</u>	<u>10,572</u>	<u>59,270</u>	-
 Net cash provided by (used by) operating activities	 <u>\$ (47,518)</u>	 <u>(56,064)</u>	 <u>(103,582)</u>	 <u>10,573</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2015, the District received \$3,082 of federal commodities.

See notes to financial statements.

Gilmore City-Bradgate Community School District
Gilmore City, Iowa

Exhibit J

Statement of
Fiduciary Net Position
Fiduciary Funds

June 30, 2015

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash and cash equivalents	\$ 51,180
Accrued interest	<u>4</u>
Total assets	<u>51,184</u>
Liabilities	
Other payables	<u>-</u>
Total liabilities	<u>-</u>
Net Position	
Reserved for scholarships	<u><u>\$ 51,184</u></u>

See notes to financial statements.

Gilmore City-Bradgate Community School District
Gilmore City, Iowa

Exhibit K

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2015

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 208
Total additions	208
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>300</u>
Total deductions	<u>300</u>
Change in net position	(92)
Net position beginning of year	<u>51,276</u>
Net position end of year	<u><u>\$ 51,184</u></u>

See notes to financial statements.

Gilmore City-Bradgate Community School District
Gilmore City, Iowa

Notes to Financial Statements

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(1) Summary of Significant Accounting Policies

Gilmore City-Bradgate Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. An academic sharing agreement exists with West Bend-Mallard Community School District whereby grades seven through twelve attend the West Bend-Mallard Community School District. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the cities of Gilmore City and Bradgate, Iowa, and the predominately agricultural territory in Humboldt, Pocahontas, and Webster counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Gilmore City-Bradgate Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

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

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B. Basis of Presentation

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

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

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

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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

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

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

The District reports the following major governmental funds:

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

The Special Revenue, Management Levy Fund is used to account for the cost of unemployment benefits, liability insurance and agreements, costs of judgments and certain early retirement benefits.

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

The District reports the following major proprietary fund:

The Enterprise, Daycare Fund is used to account for the day care service operations of the District.

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

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

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C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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

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

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

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

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

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

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation hours for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. There is no liability at June 30, 2015.

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.

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

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or are legally or contractually required to be maintained intact.

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

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Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures did not exceed the amounts budgeted.

(2) **Cash and Cash Equivalents**

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District had no investments at or during the year ended June 30, 2015 and deposited its excess cash in savings and certificates of deposit.

(3) **Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise: Day Care	\$ 4,796
General	Enterprise: School Nutrition	<u>29,676</u>
Total		\$ <u>34,472</u>

The Enterprise Funds, Day Care and School Nutrition are repaying the General Fund for cash advanced to them to cover expenses. The balance is to be repaid by June 30, 2016.

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(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ <u>7,000</u>	<u>---</u>	<u>---</u>	<u>7,000</u>
Capital assets being depreciated:				
Buildings	954,564	66,536	(38,934)	982,166
Improvements other than buildings	282,502	6,651	---	289,153
Furniture and equipment	<u>548,352</u>	<u>158,556</u>	<u>(83,121)</u>	<u>623,787</u>
Total capital assets being depreciated	<u>1,785,418</u>	<u>231,743</u>	<u>(122,055)</u>	<u>1,895,106</u>
Less accumulated depreciation for:				
Buildings	634,249	32,737	(23,491)	643,495
Improvements other than buildings	179,146	7,965	---	187,111
Furniture and equipment	<u>454,922</u>	<u>64,329</u>	<u>(83,121)</u>	<u>436,130</u>
Total accumulated depreciation	<u>1,268,317</u>	<u>105,031</u>	<u>(106,612)</u>	<u>1,266,736</u>
Total capital assets being depreciated, net	<u>517,101</u>	<u>126,712</u>	<u>(15,443)</u>	<u>628,370</u>
Governmental activities capital assets, net	\$ <u>524,101</u>	<u>126,712</u>	<u>(15,443)</u>	<u>635,370</u>
Business type activities:				
Furniture and equipment	\$ 16,331	---	---	16,331
Less accumulated depreciation	<u>16,331</u>	<u>---</u>	<u>---</u>	<u>16,331</u>
Business type activities capital assets, net	\$ <u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular

\$ 22,086

Support services:

Operation and maintenance of plant

2,060

Transportation

26,154

50,300

Unallocated

54,731

Total depreciation expense – governmental activities

\$ 105,031

Business type activities:

Food service operations

\$ ---

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(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year <u>Restated</u>	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Termination benefits	\$ 138,318	---	30,120	108,198	17,218
Net pension liability	550,523	---	261,065	289,458	---
Net OPEB liability	<u>32,626</u>	<u>6,425</u>	<u>---</u>	<u>39,051</u>	<u>---</u>
Total	<u>\$ 721,467</u>	<u>6,425</u>	<u>291,185</u>	<u>436,707</u>	<u>17,218</u>
Business type activities:					
Net pension liability	<u>\$ 142,846</u>	<u>---</u>	<u>67,739</u>	<u>75,107</u>	<u>---</u>

Termination Benefits

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

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

At June 30, 2015, the District has obligations to three participants with a total liability of \$108,198. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$30,120.

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(6) Pension Plan

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

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

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

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$57,335.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the District reported a liability of \$364,565 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of

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contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.00919 percent, which was a decrease of .002884 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense/(benefit) of (\$7,448). At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,962	\$ -
Changes of assumptions	16,089	-
Net difference between projected and actual earnings on pension plan investments	-	139,035
Changes in proportion and differences between District contributions and proportionate share of contributions	-	148,662
District contributions subsequent to the measurement date	<u>57,335</u>	<u>-</u>
Total	<u>\$ 77,386</u>	<u>\$ 287,697</u>

\$57,335 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30,</u>	
2016	\$ (64,808)
2017	(64,808)
2018	(64,808)
2019	(64,808)
2020	<u>(8,414)</u>
Total	<u>\$ (267,646)</u>

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There were no non-employer contributing entities at IPERS.

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

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

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

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

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

<u>Asset Class</u>	<u>Asset Allocations</u>	<u>Long-Term Expected Real Rate Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	
	47	

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

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

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
District’s proportionate share of the net pension liability	\$ 688,836	\$ 364,565	\$ 90,847

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

Payables to the Pension Plan – At June 30, 2015, the District reported no payables to the defined benefit pension plan.

(7) Other Postemployment Benefits (OPEB)

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

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

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

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

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

Annual required contribution	\$ 8,200
Interest on net OPEB obligation	816
Adjustment to annual required contribution	<u>(2,591)</u>
Annual OPEB cost	6,425
Contributions made	<u>(0)</u>
Increase in net OPEB obligation	6,425
Net OPEB obligation beginning of year	<u>32,626</u>
Net OPEB obligation end of year	<u>\$ 39,051</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$0 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

Gilmore City-Bradgate Community School District
Gilmore City, Iowa

Notes to Financial Statements

June 30, 2015

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 9,411	38.1%	\$ 26,766
2014	5,860	0.0%	32,626
2015	6,425	0.0%	39,051

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$70,365, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$70,365. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$431,000 and the ratio of the UAAL to covered payroll was 16.3%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress 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.

Gilmore City-Bradgate Community School District
Gilmore City, Iowa

Notes to Financial Statements

June 30, 2015

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

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

Projected claim costs of the medical plan are \$522 per month for retirees less than age 65 and there are no retirees who have attained age 65 in the medical plan. The UAAL is being amortized as a level dollar funding over 30 years.

(8) Risk Management

The Gilmore City-Bradgate 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.

Workers' Compensation, Property, General Liability and Other Insurance

The District is a member of the Iowa Public School Insurance Program (IPSIP), a public entity risk pool formed in July of 2012 between certain Iowa school districts, created in accordance with Chapter 28E of the Code of Iowa. The purpose of IPSIP is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections so as to effectively manage and contain costs for insurance coverage and related administration. IPSIP has approximately 19 members as of July 1, 2014. IPSIP is governed by a six member board of directors elected by the members of IPSIP. The District has no direct control over budgeting, financing, the governing body or management selection.

IPSIP is not intended to function as an insurance company for the participants; rather, it is a means of combining the administration of claims and of obtaining lower insurance rates through the creation of a self-insurance pool and through the purchase of commercial insurance. The District's participation in IPSIP represents a risk-sharing pool as defined by GASB Statement No. 10 in which the District pools its risks and funds with other members

Gilmore City-Bradgate Community School District
Gilmore City, Iowa

Notes to Financial Statements

June 30, 2015

and shares in the cost of losses. The District is required to make annual payments, which are determined by IPSIP, based upon its direct proportion to the pro rata share of insurance costs for coverage administered by IPSIP. IPSIP may require the participating Districts to make supplemental payments if the funds on hand are insufficient to pay expenses of the administration of IPSIP. The District was not required to make any supplemental payments to IPSIP in fiscal year 2015. Payments to IPSIP by the District in order to maintain adequate insurance coverage in fiscal year 2015 was \$27,395.

Employee Health Insurance

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

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2015 were \$81,054.

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

(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 \$65,226 for the year ended June 30, 2015, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Gilmore City-Bradgate Community School District
Gilmore City, Iowa

Notes to Financial Statements

June 30, 2015

(10) Deficit Fund Balance

The Enterprise, Day Care Fund had a deficit net position of \$94,194 at June 30, 2015. The reason for the deficit net position was due to the implementation of Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 during the fiscal year, which requires all school districts and other governmental entities in the state of Iowa who contribute to IPERS to show their proportionate share of the IPERS funding deficit as a liability on each entity's financials beginning in fiscal year 2015. (See Note 12, Accounting Change/Restatement).

The Enterprise, School Nutrition Fund had a deficit fund balance of \$45,212 at June 30, 2015. The deficit will be eliminated by the receipt of fees in future years. The deficit in the School Nutrition Fund was due to expenses being incurred before sufficient revenues were available and implementation of Governmental Accounting Standards Board Statement No. 68, as noted for the Day Care Fund.

(11) Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Preschool	\$ 18,182
Gifted and Talented	<u>5,696</u>
	\$ <u>23,878</u>

(12) Accounting Change/Restatement

Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and

Gilmore City-Bradgate Community School District
Gilmore City, Iowa

Notes to Financial Statements

June 30, 2015

deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental <u>Activities</u>	Business Type <u>Activities</u>
Net position June 30, 2014, as previously reported	\$ 1,779,096	(7,092)
Net pension liability at June 30, 2014	(550,523)	(142,846)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>42,649</u>	<u>11,066</u>
Net position July 1, 2014, as restated	\$ <u>1,271,222</u>	<u>(138,872)</u>

(13) New Governmental Accounting Standards Board (GASB) Statements

As of June 30, 2015, GASB had issued several statements not yet required to be implemented by the District. The Statement which might impact the District is as follows:

GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015, will be effective for the District beginning with its year ending June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Gilmore City-Bradgate Community School District
Gilmore City, Iowa

Notes to Financial Statements

June 30, 2015

The District's management has not yet determined the effect this GASB Statement will have on the Districts financial statements.

(14) Subsequent Events

Subsequent events have been evaluated through March 2, 2016 which is the date the financial statements were available to be issued.

On July 8, 2015 the Board approved the Whole Grade Sharing; Athletic Sharing; and the State Penny Sharing agreements with West Bend-Mallard Community School District.

On December 16, 2015 the Board approved a bid of \$36,069 for an energy efficient lighting improvement project.

Required Supplementary Information

Gilmore City-Bradgate Community School District
 Gilmore City, Iowa

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

Required Supplementary Information

Year ended June 30, 2015

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 1,173,156	121,900
State sources	636,987	4,632
Federal sources	<u>69,802</u>	<u>59,221</u>
Total revenues	<u>1,879,945</u>	<u>185,753</u>
Expenditures/Expenses:		
Instruction	946,832	-
Support services	591,417	3,532
Non-instructional programs	3,081	182,755
Other expenditures	<u>265,793</u>	<u>-</u>
Total expenditures/expenses	<u>1,807,123</u>	<u>186,287</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	72,822	(534)
Other financing sources, net	<u>2,332</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	75,154	(534)
Balances beginning of year	<u>1,363,791</u>	<u>(138,872)</u>
Balances end of year	<u>\$ 1,438,945</u>	<u>(139,406)</u>

See accompanying independent auditor's report.

Total Actual	Budgeted Amounts		Final to Actual Variance
	Original	Final	
1,295,056	1,405,185	1,405,185	(110,129)
641,619	479,438	479,438	162,181
129,023	87,968	87,968	41,055
<u>2,065,698</u>	<u>1,972,591</u>	<u>1,972,591</u>	<u>93,107</u>
946,832	1,082,000	1,082,000	135,168
594,949	730,700	730,700	135,751
185,836	207,000	207,000	21,164
265,793	372,982	372,982	107,189
<u>1,993,410</u>	<u>2,392,682</u>	<u>2,392,682</u>	<u>399,272</u>
72,288	(420,091)	(420,091)	492,379
<u>2,332</u>	<u>-</u>	<u>-</u>	<u>2,332</u>
74,620	(420,091)	(420,091)	494,711
<u>1,224,919</u>	<u>1,145,607</u>	<u>1,145,607</u>	<u>79,312</u>
<u><u>1,299,539</u></u>	<u><u>725,516</u></u>	<u><u>725,516</u></u>	<u><u>574,023</u></u>

Gilmore City-Bradgate Community School District
Gilmore City, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2015

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

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

During the year ended June 30, 2015, expenditures did not exceed the amounts budgeted.

Gilmore City-Bradgate Community School District
 Gilmore City, Iowa

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

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

Required Supplementary Information

	2015
District's proportion of the net pension liability	0.009193%
District's proportionate share of the net pension liability	\$ 365
District's covered-employee payroll	\$ 607
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.13%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

See accompanying independent auditor's report

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

Gilmore City-Bradgate Community School District
Gilmore City, Iowa

Schedule of District Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)

Required Supplementary Information

	2015	2014	2013
Statutorily required contribution	\$ 57	54	69
Contributions in relation to the statutorily required contribution	(57)	(54)	(69)
Contribution deficiency (excess)	\$ -	-	-
District's covered-employee payroll	\$ 651	607	795
Contributions as a percentage of covered-employee payroll	8.76%	8.90%	8.68%

See accompanying independent auditor's report.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
68	67	72	71	63	55	52
<u>(68)</u>	<u>(67)</u>	<u>(72)</u>	<u>(71)</u>	<u>(63)</u>	<u>(55)</u>	<u>(52)</u>
-	-	-	-	-	-	-
813	946	1,061	1,094	1,023	960	915
8.36%	7.08%	6.79%	6.49%	6.16%	5.73%	5.68%

Gilmore City-Bradgate Community School District
Gilmore City, Iowa

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

- Decreased the inflation assumption from 3.25 percent to 3.0 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

Gilmore City-Bradgate Community School District
Gilmore City, Iowa

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

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

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

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

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

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

Gilmore City-Bradgate Community School District

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 109	109	0.0%	\$ 1,093	10.0%
2011	July 1, 2009	-	107	107	0.0%	978	10.9%
2012	July 1, 2009	-	106	106	0.0%	828	12.8%
2013	July 1, 2012	-	80	80	0.0%	432	18.5%
2014	July 1, 2012	-	74	74	0.0%	410	18.0%
2015	July 1, 2012	-	70	70	0.0%	431	16.2%

See Note 7 In the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

Gilmore City-Bradgate Community School District
 Gilmore City, Iowa

Schedule 1

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Intrafund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
Athletics	\$ 1,661	1,441	1,761	-	1,341
Kids PBS	2,213	-	244	-	1,969
Student Council	<u>2,560</u>	<u>5,421</u>	<u>4,451</u>	-	<u>3,530</u>
 Total	 <u>\$ 6,434</u>	 <u>6,862</u>	 <u>6,456</u>	 <u>-</u>	 <u>6,840</u>

See accompanying independent auditor's report.

Gilmore City-Bradgate Community School District
Gilmore City, Iowa

Schedule 2

Combining Balance Sheet
Capital Project Accounts

June 30, 2015

	Capital Projects		
		Physical	
	Statewide	Plant and	
	Sales, Services	Equipment	
	<u>and Use Tax</u>	<u>Levy</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 264,150	269,384	533,534
Receivables:			
Property tax:			
Delinquent	-	726	726
Succeeding year	-	95,523	95,523
Due from other governments	8,237	-	8,237
Prepaid expenses	-	31,908	31,908
Total assets	<u>\$ 272,387</u>	<u>397,541</u>	<u>669,928</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	1,954	1,954
Total liabilities	<u>-</u>	<u>1,954</u>	<u>1,954</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	95,523	95,523
Fund balances:			
Nonspendable for:			
Prepaid expenses	-	31,908	31,908
Restricted for:			
School infrastructure	272,387	-	272,387
Physical plant and equipment	-	268,156	268,156
Total fund balances	<u>272,387</u>	<u>300,064</u>	<u>572,451</u>
Total liabilities, deferred inflows of resources			
and fund balances	<u>\$ 272,387</u>	<u>397,541</u>	<u>669,928</u>

See accompanying independent auditor's report.

Gilmore City-Bradgate Community School District
 Gilmore City, Iowa

Schedule 3

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

Year ended June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	94,292	94,292
Other	225	220	445
State sources	132,961	4,223	137,184
Total revenues	<u>133,186</u>	<u>98,735</u>	<u>231,921</u>
Expenditures:			
Support services:			
Administration	48,690	7,740	56,430
Transportation	62,479	30,700	93,179
Other expenditures:			
Facilities acquisition	123,227	77,340	200,567
Total expenditures	<u>234,396</u>	<u>115,780</u>	<u>350,176</u>
Deficiency of revenues under expenditures	(101,210)	(17,045)	(118,255)
Fund balances beginning of year	<u>373,597</u>	<u>317,109</u>	<u>690,706</u>
Fund balances end of year	<u>\$ 272,387</u>	<u>300,064</u>	<u>572,451</u>

See accompanying independent auditor's report.

Gilmore City-Bradgate Community School District
Gilmore City, Iowa

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

For the Last Ten Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues:				
Local sources:				
Local tax	\$ 1,101,824	988,798	1,076,995	1,146,704
Tuition	48,222	37,651	26,352	17,286
Other	23,110	49,343	36,348	66,214
State sources	636,987	604,036	510,952	523,848
Federal sources	69,802	66,635	64,620	60,718
Total	<u>\$ 1,879,945</u>	<u>1,746,463</u>	<u>1,715,267</u>	<u>1,814,770</u>
Expenditures:				
Instruction	\$ 946,832	1,002,251	1,028,605	1,090,245
Support services:				
Student	7,157	11,513	4,888	6,083
Instructional staff	43,454	25,383	29,520	59,753
Administration	258,932	224,950	278,246	276,006
Operation and maintenance of plant	105,813	109,497	118,640	118,461
Transportation	176,061	86,740	79,049	153,215
Non-instructional programs	3,081	5,668	4,000	3,000
Other expenditures:				
Facilities acquisition	200,567	135,569	66,278	32,976
AEA flowthrough	65,226	67,066	64,015	62,732
Total	<u>\$ 1,807,123</u>	<u>1,668,637</u>	<u>1,673,241</u>	<u>1,802,471</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
1,113,347	1,004,088	978,434	1,002,713	991,497	991,196
250,935	268,307	299,782	279,213	227,894	232,023
92,291	152,289	171,232	162,401	153,129	145,470
505,172	503,834	553,971	619,323	549,073	593,283
133,546	171,012	89,246	64,264	86,415	82,324
<u>2,095,291</u>	<u>2,099,530</u>	<u>2,092,665</u>	<u>2,127,914</u>	<u>2,008,008</u>	<u>2,044,296</u>
1,153,117	1,270,951	1,439,803	1,321,280	1,314,150	1,345,338
31,376	40,427	38,720	37,820	34,078	32,108
57,240	56,535	50,355	21,636	21,853	18,740
358,777	368,974	316,164	307,512	245,331	204,195
130,408	137,485	138,293	132,195	121,444	121,922
74,971	105,842	95,316	80,164	125,069	66,000
3,000	3,000	3,000	3,000	3,000	13,100
65,641	72,988	112,721	194,258	55,197	160,852
71,655	72,710	66,266	65,496	64,848	63,489
<u>1,946,185</u>	<u>2,128,912</u>	<u>2,260,638</u>	<u>2,163,361</u>	<u>1,984,970</u>	<u>2,025,744</u>

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Gilmore City-Bradgate Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Gilmore City-Bradgate Community School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 2, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Gilmore City-Bradgate Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gilmore City-Bradgate Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Gilmore City-Bradgate Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-15 and I-B-15 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-C-15 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

Purpose of this Report

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

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

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

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

March 2, 2016

Gilmore City-Bradgate Community School District
Gilmore City, Iowa

Schedule of Findings

Year ended June 30, 2015

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-15 Segregation of Duties - The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District has taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

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

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

I-B-15 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to Gilmore City-Bradgate Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Gilmore City-Bradgate Community School District
Gilmore City, Iowa

Schedule of Findings

Year ended June 30, 2015

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

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

Conclusion – Response accepted.

I-C-15 Disbursement Approval –For two disbursements, there was there was insufficient documentation to determine the date the Superintendent approved routine expenditures for advance payment in accordance with the District’s policy.

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

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

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Gilmore City-Bradgate Community School District
Gilmore City, Iowa

Schedule of Findings

Year ended June 30, 2015

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-15 Certified Budget - Expenditures for the year ended June 30, 2015, did not exceed the amounts budgeted.
- II-B-15 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-15 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-15 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Julie Dickey, Board Secretary, Son owns Dickey Construction	Construction	\$ 5,981

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

- II-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to ensure the coverage is adequate for current operations.
- II-F-15 Board Minutes - As previously noted, two disbursements had insufficient documentation they had been approved for payment by the Superintendent in advance of Board approval as allowed by Chapter 279.30 of the Code of Iowa.

The minutes did not identify the specific exemption to enter into a closed session as required by Chapter 21.5 of the Code of Iowa

Gilmore City-Bradgate Community School District
Gilmore City, Iowa

Schedule of Findings

Year ended June 30, 2015

Recommendation – Sufficient documentation should be maintained to evidence proper Superintendent approval of disbursements paid in advance of Board approval. The District should cite the Code section and specific exemption when entering into closed sessions.

Response – Procedures have been revised to ensure the Superintendent’s approval of disbursements prior to Board meetings is adequately documented. We will follow Chapter 21.5 of the Code when entering into closed sessions in the future.

Conclusion – Response accepted.

II-G-15 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-15 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-15 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B of the Code of Iowa and the District’s investment policy were noted. However, one instance of non-compliance with Chapter 12C was noted. Although the District approved a new depository institution in its resolution, it did not approve a maximum depository amount.

Recommendation – The District should approve the maximum amount to be deposited at its depositories when approving a new depository institution.

Response – We will include the maximum amount when approving our depository resolution.

Conclusion – Response accepted.

II-J-15 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

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

Gilmore City-Bradgate Community School District
 Gilmore City, Iowa

Schedule of Findings

Year ended June 30, 2015

II-L-15 Statewide Sales, Services, and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services, and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$ 373,597
Revenues/transfers in:		
Sales tax revenues	\$ 132,961	
Other local revenues	<u>225</u>	<u>133,186</u>
		506,783
Expenditures/transfers out:		
Equipment	208,648	
Other	<u>25,748</u>	<u>234,396</u>
Ending balance		\$ <u>272,387</u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-15 Deficit Balances – The District had an Enterprise, Day Care Fund deficit net position of \$94,194 and an Enterprise, School Nutrition Fund deficit net position of \$45,212 at June 30, 2015. The primary reason for the deficits is the implementation of GASB No. 68 during the year.

Recommendation – The District should take steps to ensure the District’s administration and Board of Education understand this accounting change/restatement and how GASB Statement 68 will affect the District’s financials moving forward. The District should continue to monitor the School Nutrition Fund and investigate alternatives to eliminate deficits and to return the fund to a sound financial condition.

Gilmore City-Bradgate Community School District
Gilmore City, Iowa

Schedule of Findings

Year ended June 30, 2015

Response -- The District's business-type activities went into a deficit during fiscal 2015 due to the implementation of GASB Statement No. 68 which required the District to show as a liability on the Statement of Net Position its proportionate share of the IPERS funding deficit. The Gilmore City-Bradgate Scholarship Foundation has made a decision to disband and according to its by-laws, the District is to be the recipient of any remaining funds. A portion of these funds will go to the School Nutrition Fund to reduce the deficit.

Conclusion - Response accepted.