

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT  
REINBECK, IOWA

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

JUNE 30, 2015

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GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Joshua Hemann	President	2017
Matt Wyatt	Vice President	2015
Amanda Gehring	Board Member	2015
Eric Sieh	Board Member	2015
Lisa Swanson	Board Member	2015
Doug Rowe	Board Member	2017
Rod Brockett	Board Member	2017
<u>School Officials</u>		
Shawn Holloway	Superintendent	2015
Debra Oleson	District Secretary/Treasurer and Business Manager	2015
Ahlers and Cooney, P.C.	Attorney	2015

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

**HUNT & ASSOCIATES, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

1201 HIGH AVENUE WEST  
OSKALOOSA, IA 52577  
641/672-2541  
FAX 641/672-2461  
317 EAST ROBINSON  
KNOXVILLE, IA 50138  
641/842-3184  
FAX 641/828-7404

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 11 of the Code of Iowa. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Gladbrook-Reinbeck 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 14 to the financial statements, Gladbrook-Reinbeck Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 60 through 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gladbrook-Reinbeck Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 2, 2015 on our consideration of Gladbrook-Reinbeck Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Gladbrook-Reinbeck Community School District's internal control over financial reporting and compliance.

*Hunt & Associates, P.C.*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### 2015 FINANCIAL HIGHLIGHTS

General Fund revenues decreased from \$6,433,350 in fiscal 2014 to \$6,072,560 in fiscal 2015 and General Fund expenditures decreased from \$6,458,306 in 2014 to \$6,304,580 in 2015. The District's General Fund balance decreased from \$1,377,424 in 2014 to \$1,160,554, a 15.74% decrease.

The District's solvency ratio decreased from 20.07% in fiscal 2014 to 17.09% in fiscal 2015. The District's solvency level indicates that the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

Figure A-1  
Gladbrook-Reinbeck Community School District Annual Financial Report

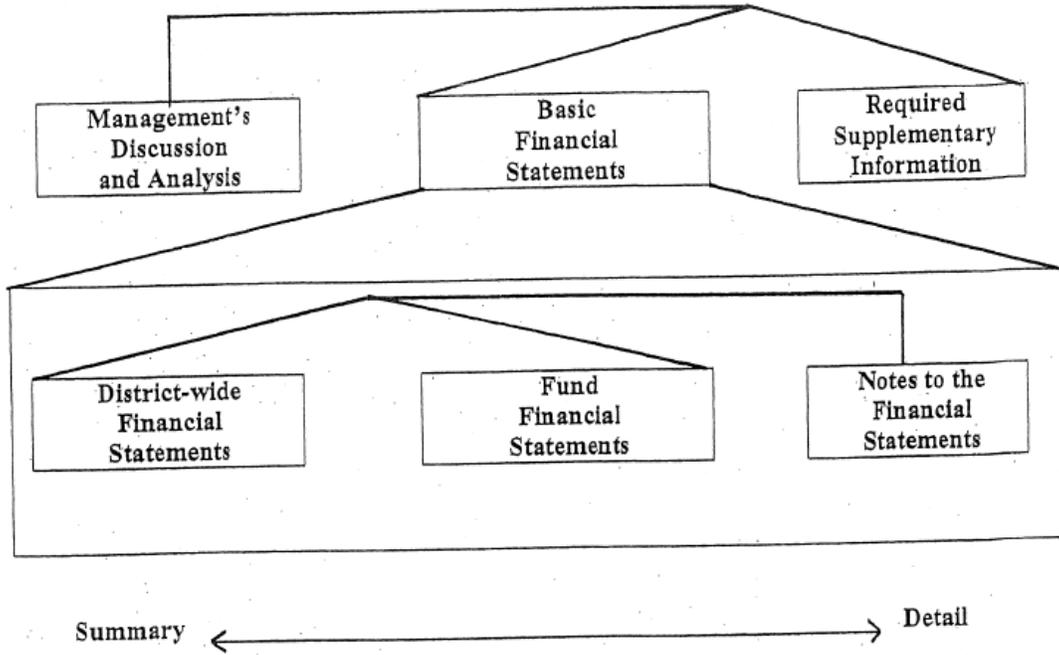


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents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

Figure A-2 Major Features of the District-Wide and Fund Financial Statements				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	Statement of net position  Statement of activities	Balance sheet  Statement of revenues, expenditures, and changes in fund balances	Statement of fund net position  Statement of revenues, expenses and changes in fund net position  Statement of cash flows	Statement of fiduciary net position  Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of 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 they have changed. Net position- the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

The required financial statements for proprietary funds include a statement of fund 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 Agency Funds and Scholarship Trust Fund.

- **Agency Funds:** These are funds through which the District administers and accounts for monies collected and held for expenditures for a private trip taken by students that attend the District.

- Scholarship Trust Fund: These are funds through which the District administers and accounts for monies collected and held for student scholarships from private sources.

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

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

Reconciliations between the government-wide financial statements and the 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.

	Governmental Activities		Business Type Activities		Total District		Total Changes
	June 30		June 30		June 30		June 30
	2014 (not restated)	2015	2014 (not restated)	2015	2014 (not restated)	2015	2014-2015
Current and other assets	\$6,896,165	\$6,932,064	\$12,840	\$24,871	\$6,909,005	\$6,956,935	0.69%
Capital assets	\$4,750,146	\$4,651,776	\$38,438	\$35,541	\$4,788,584	\$4,687,317	-2.11%
<b>Total Assets</b>	<b>\$11,646,311</b>	<b>\$11,583,840</b>	<b>\$51,278</b>	<b>\$60,412</b>	<b>\$11,697,589</b>	<b>\$11,644,252</b>	<b>-0.46%</b>
Deferred Outflows of Resources	\$0	\$483,256	\$0	\$11,171	\$0	\$494,427	100.00%
<b>Total Deferred Outflows</b>	<b>\$0</b>	<b>\$483,256</b>	<b>\$0</b>	<b>\$11,171</b>	<b>\$0</b>	<b>\$494,427</b>	<b>100.00%</b>
Long-term liabilities	\$2,212,890	\$4,477,719	\$0	\$51,744	\$2,212,890	\$4,529,463	104.69%
Other liabilities	\$720,490	\$697,869	\$4,725	\$5,083	\$725,215	\$702,952	-3.07%
<b>Total liabilities</b>	<b>\$2,933,380</b>	<b>\$5,175,588</b>	<b>\$4,725</b>	<b>\$56,827</b>	<b>\$2,938,105</b>	<b>\$5,232,415</b>	<b>78.09%</b>
Deferred Inflows of Resources	\$2,834,853	\$3,853,844	\$0	\$19,734	\$2,834,853	\$3,873,578	36.64%
<b>Total Deferred Inflows</b>	<b>\$2,834,853</b>	<b>\$3,853,844</b>	<b>\$0</b>	<b>\$19,734</b>	<b>\$2,834,853</b>	<b>\$3,873,578</b>	<b>36.64%</b>
Net position:							
Invested in capital Assets, net of related debt	\$4,630,146	\$4,651,776	\$38,438	\$35,541	\$4,668,584	\$4,687,317	0.40%
Restricted	\$660,508	\$798,454	\$0	\$0	\$660,508	\$798,454	20.88%
Unrestricted	\$587,424	-\$2,412,566	\$8,115	-\$40,519	\$595,539	-\$2,453,085	-511.91%
<b>Total net position</b>	<b>\$5,878,078</b>	<b>\$3,037,664</b>	<b>\$46,553</b>	<b>-\$4,978</b>	<b>\$5,924,631</b>	<b>\$3,032,686</b>	<b>-48.81%</b>

The District's combined total net position decreased by 48.81%, or \$2,891,945, over the prior year. The largest portion of the District's net position is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets. The large decrease in net position is primarily a result of the District's net pension liability net pension expense recorded in the current year.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased 20.88% or \$137,946, over the prior year. The increase was primarily due to the additional levy resources received and unexpended categorical and capital project funds in the current year.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased by \$3,048,624 or 511.91%. This decrease in unrestricted net position was primarily a result of the District's net pension liability net 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 \$ 2,741,359 and \$ 67,877 reductions, 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 change 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

	Governmental Activities		Business Type Activities		Total District		Total Changes
	June 30		June 30		June 30		June 30
	2014	2015	2014	2015	2014	2015	2014-2015
	(not restated)		(not restated)		(not restated)		
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for services	\$386,561	\$434,641	\$184,460	\$165,580	\$571,021	\$600,221	5.11%
Operating grants, contributions and restricted interest	\$926,521	\$871,831	\$121,900	\$128,250	\$1,048,421	\$1,000,081	-4.61%
Capital grants, contributions and restricted interest	\$0	\$290	\$13,346	\$4,141	\$13,346	\$4,431	-66.80%
<b>General revenues:</b>							
Property tax	\$2,791,113	\$2,855,353	\$0	\$0	\$2,791,113	\$2,855,353	2.30%
Income surtax	\$256,750	\$184,305	\$0	\$0	\$256,750	\$184,305	-28.22%
Statewide sales, service and use tax	\$536,560	\$563,678	\$0	\$0	\$536,560	\$563,678	5.05%
Unrestricted state and federal grants	\$2,442,316	\$2,440,147	\$0	\$0	\$2,442,316	\$2,440,147	-0.09%
Unrestricted investments earnings	\$23,485	\$17,701	\$50	\$60	\$23,535	\$17,761	-24.53%
Other	\$60,314	\$76,532	\$0	\$0	\$60,314	\$76,532	26.89%
<b>Total revenues</b>	<b>\$7,423,620</b>	<b>\$7,444,478</b>	<b>\$319,756</b>	<b>\$298,031</b>	<b>\$7,743,376</b>	<b>\$7,742,509</b>	<b>-0.01%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instruction	\$4,594,401	\$4,807,884	\$0	\$0	\$4,594,401	\$4,807,884	4.65%
Support services	\$2,312,362	\$2,243,190	\$590	\$588	\$2,312,952	\$2,243,778	-2.99%
Non-instructional programs	\$19,236	\$10,987	\$306,336	\$281,097	\$325,572	\$292,084	-10.29%
Other expenses	\$477,531	\$481,472	\$0	\$0	\$477,531	\$481,472	0.83%
<b>Total Expenses</b>	<b>\$7,403,530</b>	<b>\$7,543,533</b>	<b>\$306,926</b>	<b>\$281,685</b>	<b>\$7,710,456</b>	<b>\$7,825,218</b>	<b>1.49%</b>
<b>Change in net position</b>	<b>\$20,090</b>	<b>-\$99,055</b>	<b>\$12,830</b>	<b>\$16,346</b>	<b>\$32,920</b>	<b>-\$82,709</b>	<b>-351.24%</b>
Net position at beg. of year as restated	\$ 5,857,988	\$ 3,136,719	\$ 33,723	\$ (21,324)	\$ 5,891,711	\$ 3,115,395	
Net position at end of year	\$ 5,878,078	\$ 3,037,664	\$ 46,553	\$ (4,978)	\$ 5,924,631	\$ 3,032,686	

In fiscal year 2015, property tax and unrestricted state and federal grants accounted for 68.40% of total revenue while charges for service and operating grants, contributions and restricted interest accounted for 20.67% of total revenue.

The District's total revenues were approximately \$7.74 million, of which approximately \$7.44 million was for governmental activities and approximately \$0.30 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a .01% decrease in revenues and a 1.49% increase in expenses, Income surtax decreased 28.22% due to a reduction of the state income tax paid within the district. Property tax and statewide sales, service & use tax showed modest increases. The increase in expenses is related to a moderate increase in instructional expenditures, offset by decreases in non-instructional program and support services expenses. .

### Governmental Activities

Revenues for governmental activities were \$7,444,478 and expenses were \$7,543,533, resulting in a net position decrease of \$99,055. The district's expenses for governmental activities primarily relate to instruction and support services which accounted for 93.47% of the total expenses.

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

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services		Change	Net Cost of Services		Change
	2014	2015	2014-2015	2014	2015	2014-2015
	(not restated)			(not restated)		
Instruction	\$4,594,401	\$4,807,884	4.65%	\$3,642,996	\$3,835,296	5.28%
Support services	\$2,312,362	\$2,243,190	-2.99%	\$2,213,980	\$2,174,332	-1.79%
Non-instructional programs	\$19,236	\$10,987	-42.88%	\$19,236	\$10,987	-42.88%
Other expenses	\$477,531	\$481,472	0.83%	\$214,236	\$216,156	0.90%
Totals	\$7,403,530	\$7,543,533	1.89%	\$6,090,448	\$6,236,771	2.40%

For the year ended June 30, 2015:

- The cost financed by users of the District’s programs was \$434,641.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$871,831.
- The net cost of governmental activities was financed primarily with \$3,603,336 in property and other taxes and \$2,440,147 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities during the year ended June 30, 2015 were \$298,031, representing a 6.79% decrease over last year, and expenses were \$281,685 during the year ended June 30, 2015, representing an 8.22% decrease over last year. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, contributed capital assets and investment income.

### INDIVIDUAL MAJOR FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,063,321, a decrease of \$141,595 over the last year’s ending fund balance of \$3,204,916.

### Governmental Fund Highlights

- The General Fund balance decreased from \$1,377,424 to \$1,160,554. Revenues decreased in the area of local tax sources. Expenditures decreased slightly overall with expenditures exceeding revenues and other financing sources by \$216,870 for FY15.
- The Capital Projects Fund balance increased from \$1,188,528 to \$1,323,625 due to capital expenditures being less than current revenues.
- The Special Revenue Fund, Management Levy balance increased from \$414,452 to \$486,678. An increase in property tax revenues increased this Fund’s balance to anticipate future needs for the funds.

**Proprietary Fund Highlights**

- School Nutrition Fund current year net position was re-stated from \$46,553 to \$-21,324 due to reporting of the state public employee pension liability for the first time this year. The net position increased from \$-21,324 at June 30, 2014 to \$-4,978.00 at June 30, 2015, due to an 8.22% decrease (or \$25,241) in operating expenses.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, Gladbrook-Reinbeck Community School District amended its budget once to align the budget for the expenditures to actual category function needs of the 2014-15 school year.

The District’s revenues were \$258,308 more than budgeted revenues, a variance of 3.47%. The District received more funding from State and Federal sources than originally anticipated due to larger than expected increases in State funding and various other program grants. The District traditionally budgets revenue conservatively.

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

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2015, the District had invested \$4,687,317, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 2.11% from last year. Depreciation expense for the year was \$409,994. More detailed information about the District’s capital assets is presented in Note 5 to the financial statements.

The original cost of the District’s capital assets was \$10,568,461. Governmental funds account for \$10,419,758 of those costs, with the remainder of \$148,703 accounted for in the Proprietary, School Nutrition Fund.

The largest change in depreciable capital asset activity during the year occurred in the furniture and equipment category with a decrease of 26.05%. The District had a larger amount of depreciation for current furniture and equipment than new acquisitions.

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

Figure A-6  
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Changes
	June 30		June 30		June 30		June 30
	2014	2015	2014	2015	2014	2015	2014-2015
Land	\$37,965	\$37,965	\$0	\$0	\$37,965	\$37,965	0.00%
Buildings	\$4,069,214	\$4,119,204	\$0	\$0	\$4,069,214	\$4,119,204	1.23%
Construction in Progress	\$28,360	\$0	\$0	\$0	\$28,360	\$0	-100.00%
Improvements other than buildings	\$221,804	\$211,262	\$0	\$0	\$221,804	\$211,262	-4.75%
Furniture and equipment	\$392,803	\$283,345	\$38,438	\$35,541	\$431,241	\$318,886	-26.05%
Totals	\$4,750,146	\$4,651,776	\$38,438	\$35,541	\$4,788,584	\$4,687,317	-2.11%

**Long-Term Liabilities**

At June 30, 2015, the District had \$4,477,719 in a variety of long-term liabilities outstanding. This represents an increase of 102.35% from last year. (See Figure A-7). A very large increase of \$2,238,386 for Net pension liability is due to a new requirement to report state public retirement system pension as a district liability (see Note 7). Additional information about the District’s long-term liabilities is presented in Note 6, Note 7 and Note 8 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District’s outstanding debt is significantly below its constitutional debt limit of approximately \$27 million.

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

Figure A-7  
Outstanding Long-term Obligations

	Total District		Total Changes
	June 30		June 30
	2014	2015	2014-2015
	(not restated)		
Early Retirement	\$241,399	\$407,442	68.78%
Revenue Bonds & Capital Loan Note	\$1,510,000	\$1,245,000	-17.55%
Capital Lease	\$94,953	\$186,085	95.98%
Compensated absences	\$60,538	\$69,806	15.31%
Net pension liability	\$0	\$2,290,130	100.00%
Net OPEB Liability	\$306,000	\$331,000	8.17%
	<u>\$2,212,890</u>	<u>\$4,529,463</u>	<u>104.69%</u>

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

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

- Actual certified enrollment has decreased each year over the past few years. Enrollment decreases result in reduced state funding. The district continues to monitor the enrollment of the district closely and anticipates a small decline in the near future
- Funding to local school districts from federal and state agencies needs to be monitored closely. Decreases will result in less funding and less spending authority for the district that will require budget reductions in the future. The District is currently anticipating a reduction in District expenditures related to restructuring of building use for the most efficient use of staff and facilities. However after the closing of an attendance center, the district experienced an increase in students open enrolling out of the district. This will need to be monitored closely.

#### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Debra Oleson, District Secretary/Treasurer, Gladbrook-Reinbeck Community School District, 300 Cedar Street, Reinbeck, IA 50669.

## Basic Financial Statements

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 3,515,978	\$ 16,006	\$ 3,531,984
Receivables:			
Property tax:			
Current year	33,799	-	33,799
Succeeding year	3,000,188	-	3,000,188
Income surtax	172,792	-	172,792
Internal balances	(109)	109	-
Accounts	2,159	-	2,159
Due from other governments	207,257	-	207,257
Inventories	-	8,756	8,756
Capital assets, net of accumulated depreciation (note 5)	4,651,776	35,541	4,687,317
<b>Total assets</b>	<b>11,583,840</b>	<b>60,412</b>	<b>11,644,252</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	483,256	11,171	494,427
<b>Liabilities</b>			
Accounts payable	94,056	9	94,065
Salaries and benefits payable	494,654	547	495,201
Due to other governments	107,053	-	107,053
Advances from grantors	-	234	234
Unearned revenue	-	4,293	4,293
Accrued interest payable	2,106	-	2,106
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	70,312	-	70,312
Notes payable	150,000	-	150,000
Capital lease payable	116,146	-	116,146
Compensated absences	16,055	-	16,055
Portion due after one year:			
Early retirement	337,130	-	337,130
Notes payable	1,095,000	-	1,095,000
Capital lease payable	69,939	-	69,939
Compensated absences	53,751	-	53,751
Net pension liability	2,238,386	51,744	2,290,130
Net OPEB liability	331,000	-	331,000
<b>Total liabilities</b>	<b>5,175,588</b>	<b>56,827</b>	<b>5,232,415</b>

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 3,000,188	\$ -	\$ 3,000,188
Pension related deferred inflows	853,656	19,734	873,390
Total deferred inflows of resources	<u>3,853,844</u>	<u>19,734</u>	<u>3,873,578</u>
Net Position			
Net investment in capital assets	4,651,776	35,541	4,687,317
Restricted for:			
Categorical funding	165,427	-	165,427
Debt service	2,518	-	2,518
Capital projects	461,327	-	461,327
Management levy purposes	79,236	-	79,236
Student activities	89,946	-	89,946
Unrestricted	<u>(2,412,566)</u>	<u>(40,519)</u>	<u>(2,453,085)</u>
Total net position	<u>\$ 3,037,664</u>	<u>\$ (4,978)</u>	<u>\$ 3,032,686</u>

See notes to financial statements.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 4,807,884	\$ 366,474	\$ 606,114	\$ -
Support services:				
Student	297,275	61,879	-	-
Instructional staff	237,798	-	-	-
Administration	626,171	-	-	-
Operation and maintenance of plant	619,577	526	-	-
Transportation	462,369	5,762	691	-
	<u>2,243,190</u>	<u>68,167</u>	<u>691</u>	<u>-</u>
Non-instructional programs	10,987	-	-	-
Other expenditures:				
Facilities acquisition	48,744	-	-	290
Long-term debt interest and fiscal charges	18,796	-	-	-
AEA flowthrough	265,026	-	265,026	-
Depreciation (unallocated) *	148,906	-	-	-
	<u>481,472</u>	<u>-</u>	<u>265,026</u>	<u>290</u>
Total governmental activities	<u>7,543,533</u>	<u>434,641</u>	<u>871,831</u>	<u>290</u>

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (3,835,296)	\$ -	\$ (3,835,296)
(235,396)	-	(235,396)
(237,798)	-	(237,798)
(626,171)	-	(626,171)
(619,051)	-	(619,051)
(455,916)	-	(455,916)
(2,174,332)	-	(2,174,332)
(10,987)	-	(10,987)
(48,454)	-	(48,454)
(18,796)	-	(18,796)
-	-	-
(148,906)	-	(148,906)
(216,156)	-	(216,156)
(6,236,771)	-	(6,236,771)

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Business-Type Activities:				
Support services:				
Food service operations	\$ 588	\$ -	\$ -	\$ -
Non-instructional programs:				
Food service operations	281,097	165,580	128,250	4,141
Total business-type activities	281,685	165,580	128,250	4,141
Total	\$ 7,825,218	\$ 600,221	\$ 1,000,081	\$ 4,431

General revenues:

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

Total general revenues

Change in net position

Net position beginning of year, as restated (note 14)

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
\$ -	\$ (588)	\$ (588)
-	16,874	16,874
-	16,286	16,286
(6,236,771)	16,286	(6,220,485)
\$ 2,641,196	\$ -	\$ 2,641,196
214,157	-	214,157
184,305	-	184,305
563,678	-	563,678
2,440,147	-	2,440,147
17,701	60	17,761
76,532	-	76,532
6,137,716	60	6,137,776
(99,055)	16,346	(82,709)
3,136,719	(21,324)	3,115,395
\$ 3,037,664	\$ (4,978)	\$ 3,032,686

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2015

	General	Special Revenue Management Levy	Capital Projects	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 1,636,183	\$ 483,188	\$ 1,300,786	\$ 95,821	\$ 3,515,978
Receivables:					
Property tax:					
Current year	27,780	3,529	2,490	-	33,799
Succeeding year	2,521,661	249,999	228,528	-	3,000,188
Income surtax	115,195	-	57,597	-	172,792
Interfund (note 3)	125	-	-	1,058	1,183
Accounts	99	-	-	2,060	2,159
Due from other governments	118,780	-	88,477	-	207,257
 Total assets	 <u>\$ 4,419,823</u>	 <u>\$ 736,716</u>	 <u>\$ 1,677,878</u>	 <u>\$ 98,939</u>	 <u>\$ 6,933,356</u>

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2015

	General	Special Revenue Management Levy	Capital Projects	Nonmajor	Total
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Interfund payables (note 3)	\$ 1,292	\$ -	\$ -	\$ -	\$ 1,292
Accounts payable	22,652	39	65,670	5,695	94,056
Due to other governments	104,595	-	2,458	-	107,053
Salaries and benefits payable	493,874	-	-	780	494,654
Total liabilities	<u>622,413</u>	<u>39</u>	<u>68,128</u>	<u>6,475</u>	<u>697,055</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,521,661	249,999	228,528	-	3,000,188
Other	115,195	-	57,597	-	172,792
Total deferred inflows of resources	<u>2,636,856</u>	<u>249,999</u>	<u>286,125</u>	<u>-</u>	<u>3,172,980</u>
Fund balances:					
Restricted for:					
Categorical funding (note 11)	165,427	-	-	-	165,427
Debt service	-	-	-	2,518	2,518
School infrastructure	-	-	783,569	-	783,569
Physical plant and equipment	-	-	540,056	-	540,056
Management levy purposes	-	486,678	-	-	486,678
Student activities	-	-	-	89,946	89,946
Assigned:					
Community grants	8,809	-	-	-	8,809
Unassigned	986,318	-	-	-	986,318
Total fund balances	<u>1,160,554</u>	<u>486,678</u>	<u>1,323,625</u>	<u>92,464</u>	<u>3,063,321</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,419,823</u>	<u>\$ 736,716</u>	<u>\$ 1,677,878</u>	<u>\$ 98,939</u>	<u>\$ 6,933,356</u>

See notes to financial statements.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 June 30, 2015

Total fund balances of governmental funds		\$	3,063,321
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.			4,651,776
Other long-term assets, including income surtax receivable, are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.			172,792
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.			(2,106)
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	\$ 483,256	
	Deferred inflows of resources	<u>(853,656)</u>	(370,400)
Long-term liabilities, including early retirement, notes payable, capital lease purchase agreements, compensated absences, net pension liability and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.			<u>(4,477,719)</u>
Net position of governmental activities		\$	<u><u>3,037,664</u></u>

See notes to financial statements.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

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

	General	Special Revenue Management Levy	Capital Projects	Nonmajor	Total
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 2,436,699	\$ 296,077	\$ 263,890	\$ -	\$ 2,996,666
Tuition	93,827	-	-	-	93,827
Other	159,901	8,975	5,959	183,185	358,020
State sources	3,169,392	1,054	564,400	-	3,734,846
Federal sources	212,741	-	-	-	212,741
Total revenues	<u>6,072,560</u>	<u>306,106</u>	<u>834,249</u>	<u>183,185</u>	<u>7,396,100</u>
<b>Expenditures:</b>					
Current:					
Instruction	<u>4,037,799</u>	<u>132,500</u>	<u>205,830</u>	<u>195,046</u>	<u>4,571,175</u>
Support services:					
Student	301,925	2,100	534	-	304,559
Instructional staff	196,556	1,750	32,410	-	230,716
Administration	603,681	7,032	18,235	-	628,948
Operation and maintenance of plant	541,412	59,940	12,483	-	613,835
Transportation	358,181	23,808	91,021	-	473,010
	<u>2,001,755</u>	<u>94,630</u>	<u>154,683</u>	<u>-</u>	<u>2,251,068</u>
Non-instructional programs	<u>-</u>	<u>6,750</u>	<u>4,141</u>	<u>-</u>	<u>10,891</u>
Other expenditures:					
Facilities acquisition	-	-	260,179	-	260,179
Long term debt:					
Principal	-	-	-	383,742	383,742
Interest and fiscal charges	-	-	-	20,639	20,639
AEA flowthrough	265,026	-	-	-	265,026
	<u>265,026</u>	<u>-</u>	<u>260,179</u>	<u>404,381</u>	<u>929,586</u>
Total expenditures	<u>6,304,580</u>	<u>233,880</u>	<u>624,833</u>	<u>599,427</u>	<u>7,762,720</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(232,020)</u>	<u>72,226</u>	<u>209,416</u>	<u>(416,242)</u>	<u>(366,620)</u>

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

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

	General	Special Revenue Management Levy	Capital Projects	Nonmajor	Total
Other financing sources (uses):					
Sale of equipment	\$ 15,150	\$ -	\$ -	\$ -	\$ 15,150
Capital lease proceeds	-	-	209,875	-	209,875
Interfund transfers in (note 4)	-	-	-	284,194	284,194
Interfund transfers out (note 4)	-	-	(284,194)	-	(284,194)
Total other financing sources (uses)	<u>15,150</u>	<u>-</u>	<u>(74,319)</u>	<u>284,194</u>	<u>225,025</u>
Net change in fund balances	(216,870)	72,226	135,097	(132,048)	(141,595)
Fund balances beginning of year	<u>1,377,424</u>	<u>414,452</u>	<u>1,188,528</u>	<u>224,512</u>	<u>3,204,916</u>
Fund balances end of year	<u>\$ 1,160,554</u>	<u>\$ 486,678</u>	<u>\$ 1,323,625</u>	<u>\$ 92,464</u>	<u>\$ 3,063,321</u>

See notes to financial statements.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2015

Net change in fund balances - total governmental funds \$ (141,595)

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. The amounts  
of capital outlays and depreciation expense in the current year are as follows:

Capital outlays	\$	303,556	
Capital contributions		290	
Depreciation expense		<u>(402,216)</u>	(98,370)

Income surtax revenue not received until several months after the District's  
fiscal year end is not considered available revenue and is recognized as  
deferred inflows of resources in the governmental funds. 32,938

Proceeds from issuing long-term liabilities provide current financial resources  
to governmental funds but issuing debt increases long-term liabilities in the  
Statement of Net Position and does not affect the Statement of Activities. (209,875)

Repayment of long-term liabilities is an expenditure in the governmental  
funds, but it reduces long-term liabilities in the Statement of Net Position. 383,743

Interest on long-term debt in the Statement of Activities differs from the  
amount reported in the governmental funds because interest is recorded as  
an expenditure in the governmental funds when due. In the Statement of  
Activities, however, interest expense is recognized as the interest accrues,  
regardless of when it is due. 1,842

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. (14,040)

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2015

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

	Early retirement \$	(166,043)	
	Compensated absences	(9,268)	
	Pension expense	146,613	
	Net OPEB liability	<u>(25,000)</u>	\$ <u>(53,698)</u>
Change in net position of governmental activities			\$ <u><u>(99,055)</u></u>

See notes to financial statements.

## GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION  
PROPRIETARY FUND

June 30, 2015

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 16,006
Interfund receivable (note 3)	234
Inventories	8,756
Capital assets, net of accumulated depreciation (note 5)	<u>35,541</u>
Total assets	<u>60,537</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>11,171</u>
Liabilities	
Interfund payable (note 3)	125
Accounts payable	9
Salaries and benefits payable	547
Unearned revenue	4,293
Advances from grantors	234
Net pension liability	<u>51,744</u>
Total liabilities	<u>56,952</u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>19,734</u>
Fund Net Position	
Net investment in capital assets	35,541
Unrestricted	<u>(40,519)</u>
Total fund net position	<u>\$ (4,978)</u>

See notes to financial statements.

## GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
Year Ended June 30, 2015

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>165,580</u>
Operating expenses:	
Support services:	
Operation and maintenance of plant	588
Non-instructional programs:	
Salaries	90,246
Benefits	27,017
Purchased services	275
Supplies	155,781
Depreciation	<u>7,778</u>
Total operating expenses	<u>281,685</u>
Operating loss	(116,105)
Non-operating revenues:	
Interest on investments	60
Capital contributions	4,141
State sources	2,113
Federal sources	<u>126,137</u>
Total non-operating revenues	<u>132,451</u>
Change in fund net position	16,346
Fund net position beginning of year, as restated (note 14)	<u>(21,324)</u>
Fund net position end of year	\$ <u><u>(4,978)</u></u>

See notes to financial statements.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

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

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 164,595
Cash received from miscellaneous operating activities	1,115
Cash paid to employees for services	(124,786)
Cash paid to suppliers for goods or services	<u>(130,596)</u>
Net cash used by operating activities	<u>(89,672)</u>
Cash flows from non-capital financing activities:	
State grants received	2,113
Federal grants received	<u>98,292</u>
Net cash provided by non-capital financing activities	<u>100,405</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(740)</u>
Cash flows from investing activities:	
Interest on investments	<u>60</u>
Net increase in cash and cash equivalents	10,053
Cash and cash equivalents beginning of year	<u>5,953</u>
Cash and cash equivalents end of year	\$ <u><u>16,006</u></u>

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

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

	<u>School Nutrition</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (116,105)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	7,778
Commodities used	28,079
Decrease in accounts receivable	234
(Increase) in interfund receivable	(234)
(Increase) in inventories	(2,103)
Increase in interfund payable	125
(Decrease) in accounts payable	(53)
Increase in salaries and benefits payable	47
Increase in unearned revenue	130
(Decrease) in net pension liability	(24,281)
(Increase) in deferred outflows of resources	(3,023)
Increase in deferred inflows of resources	<u>19,734</u>
Net cash used by operating activities	<u>\$ (89,672)</u>

Non-cash financing activities:

During the year ended June 30, 2015, the District received \$28,079 of federal commodities. In addition, the School Nutrition Fund received equipment valued at \$4,141 which was contributed by the Capital Projects Fund, Physical Plant and Equipment Levy account.

See notes to financial statements.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

June 30, 2015

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Cash and pooled investments	\$ <u>1,000</u>	\$ <u>1,880</u>
Liabilities:		
Other payables	<u>-</u>	<u>1,880</u>
Fiduciary Net Position:		
Restricted for scholarships	\$ <u><u>1,000</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 Year Ended June 30, 2015

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ <u>1,608</u>
Deductions:	
Support services:	
Scholarships awarded	<u>1,176</u>
Change in fiduciary net position	432
Fiduciary net position beginning of year	<u>568</u>
Fiduciary net position end of year	\$ <u><u>1,000</u></u>
See notes to financial statements.	

# GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

### Note 1. Summary of Significant Accounting Policies

Gladbrook-Reinbeck Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Gladbrook and Reinbeck, Iowa, and agricultural territory in Black Hawk, Grundy, Marshall and Tama Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

#### A. Reporting Entity

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

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Grundy County and Tama County Assessors' Conference Boards.

#### B. Basis of Presentation

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

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

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

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

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

The District reports the following major governmental funds:

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

The Special Revenue Fund, Management Levy is used to account for resources used for the funding of risk management and early retirement benefits for the District.

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

The District reports the following nonmajor proprietary fund:

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

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

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

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

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

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

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

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

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

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

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

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

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

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

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

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

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

Advances from grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year have been accrued as liabilities.

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

Compensated Absences – District employees accumulate a limited amount of earned but unused sick leave for subsequent use or for payment upon retirement. The sick leave is paid upon retirement only when the employee has reached IPERS retirement age. The maximum payout will be limited to \$25/day up to a 105 day maximum. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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:

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

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

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

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

Note 2. Cash and Pooled Investments

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

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

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ <u>1,043</u>

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

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

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

Note 3. Interfund Receivables/Payables

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

Receivable Fund	Payable Fund	Amount
Interfund balances between governmental funds:		
Other receivables:		
Special Revenue - Student Activity	General	\$ 1,058
Interfund balances between governmental and proprietary funds:		
Other receivables:		
General	Enterprise - School Nutrition	125
Enterprise - School Nutrition	General	234
		\$ 1,417

Note 4. Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 284,194

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

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 37,965	\$ -	\$ -	\$ 37,965
Construction in progress	28,360	25,097	53,457	-
Total capital assets not being depreciated	<u>66,325</u>	<u>25,097</u>	<u>53,457</u>	<u>37,965</u>
Capital assets being depreciated:				
Buildings	7,206,559	226,277	-	7,432,836
Improvements other than buildings	683,210	5,108	-	688,318
Furniture and equipment	2,215,681	100,821	55,863	2,260,639
Total capital assets being depreciated	<u>10,105,450</u>	<u>332,206</u>	<u>55,863</u>	<u>10,381,793</u>
Less accumulated depreciation for:				
Buildings	3,137,345	176,287	-	3,313,632
Improvements other than buildings	461,406	15,650	-	477,056
Furniture and equipment	1,822,878	210,279	55,863	1,977,294
Total accumulated depreciation	<u>5,421,629</u>	<u>402,216</u>	<u>55,863</u>	<u>5,767,982</u>
Total capital assets being depreciated, net	<u>4,683,821</u>	<u>(70,010)</u>	<u>-</u>	<u>4,613,811</u>
Governmental activities capital assets, net	<u>\$ 4,750,146</u>	<u>\$ (44,913)</u>	<u>\$ 53,457</u>	<u>\$ 4,651,776</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business-type activities:</b>				
Furniture and equipment	\$ 143,822	\$ 4,881	\$ -	\$ 148,703
Less accumulated depreciation	105,384	7,778	-	113,162
Business-type activities capital assets, net	<u>\$ 38,438</u>	<u>\$ (2,897)</u>	<u>\$ -</u>	<u>\$ 35,541</u>

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 151,247

Support services:

Administration 8,494

Operation and maintenance of plant 8,134

Transportation 85,435

253,310

Unallocated depreciation 148,906

Total depreciation expense - governmental activities \$ 402,216

Business-type activities:

Food service operations \$ 7,778

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Long-Term Liabilities

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

	Balance Beginning of Year, as Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 241,399	\$ 213,825	\$ 47,782	\$ 407,442	\$ 70,312
Revenue bonds	120,000	-	120,000	-	-
Economic development loan	165,000	-	30,000	135,000	30,000
Capital loan notes	1,225,000	-	115,000	1,110,000	120,000
Capital lease	94,953	209,875	118,743	186,085	116,146
Compensated absences	60,538	30,567	21,299	69,806	16,055
Net pension liability	3,070,455	-	832,069	2,238,386	-
Net OPEB liability	306,000	25,000	-	331,000	-
<b>Total</b>	<b>\$ 5,283,345</b>	<b>\$ 479,267</b>	<b>\$ 1,284,893</b>	<b>\$ 4,477,719</b>	<b>\$ 352,513</b>
Business-type activities:					
Net pension liability	\$ 76,025	\$ -	\$ 24,281	\$ 51,744	\$ -

Early Retirement

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

The early retirement benefit for each eligible employee is equal to \$30,000, paid in equal installments over three years, plus health insurance paid by the District up to a maximum of \$7,000 per year for five years. Early retirement benefits will be paid in July following the start of retirement.

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

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Long-Term Liabilities (continued)

Early Retirement (continued)

At June 30, 2015, the District has obligations to eleven participants with a total liability of \$407,442. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$47,782. Early retirement is recorded as a long-term liability of the Governmental Activities in the government-wide financial statements.

Rural Economic Development Loan Agreement

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

Details of the District's June 30, 2015 rural economic development loan agreement indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2016	\$ 30,000
2017	30,000
2018	30,000
2019	30,000
2020	<u>15,000</u>
	<u>\$ 135,000</u>

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

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Long-Term Liabilities (continued)

Capital Loan Note

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

Year Ending June 30,	Capital Loan Note Issued May 9, 2013			
	Interest Rates	Principal	Interest	Total
2016	1.000 %	\$ 120,000	\$ 13,890	\$ 133,890
2017	1.000	120,000	12,690	132,690
2018	1.000	120,000	11,490	131,490
2019	1.000	120,000	10,290	130,290
2020	1.050	125,000	9,090	134,090
2021	1.250	125,000	7,778	132,778
2022	1.450	125,000	6,215	131,215
2023	1.650	125,000	4,402	129,402
2024	1.800	130,000	2,340	132,340
		\$ 1,110,000	\$ 78,185	\$ 1,188,185

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 6. Long-Term Liabilities (continued)

Capital Lease

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

During the year ended June 30, 2015, the District entered into a capital lease purchase agreement for the purchase of computers totaling \$209,875. The lease calls for annual payments of \$71,967 through the year ended June 30, 2017.

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

Year Ending June 30,	Capital Lease Issued May 4, 2013			
	Interest Rates	Principal	Interest	Total
2016	3.0000 %	\$ 48,178	\$ 1,445	\$ 49,623
Capital Lease Issued April 24, 2015				
2016	2.9000	67,968	3,999	71,967
2017	2.9000	69,939	2,028	71,967
		137,907	6,027	143,934
Total		\$ 186,085	\$ 7,472	\$ 193,557

Note 7. Pension Plan

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

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Pension Plan (continued)

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$322,339.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Pension Plan (continued)

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 \$2,290,130 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District’s proportion was 0.0577454 percent, which was an increase of 0.002945 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$182,188. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 24,889	\$ -
Changes of assumptions	101,069	-
Net difference between projected and actual earnings on pension plan investments	-	873,390
Changes in proportion and differences between District contributions and proportionate share of contributions	46,130	-
District contributions subsequent to the measurement date	<u>322,339</u>	<u>-</u>
Total	<u>\$ 494,427</u>	<u>\$ 873,390</u>

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Pension Plan (continued)

\$322,339 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,		
2016	\$	(178,140)
2017		(178,140)
2018		(178,140)
2019		(178,140)
2020		<u>11,258</u>
Total	\$	<u><u>(701,302)</u></u>

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
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan 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:

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Pension Plan (continued)

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
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	100%	

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 4,327,136	\$ 2,290,130	\$ 570,686

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](http://www.ipers.org).

Note 8. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 88 active and 8 retired members in the plan. Retired participants must be age 55 or older at retirement.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

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

Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

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	\$ 140,290
Interest on net OPEB obligation	13,770
Adjustment to annual required contribution	<u>(18,786)</u>
Annual OPEB cost	135,274
Contributions made	<u>110,274</u>
Increase in net OPEB obligation	25,000
Net OPEB obligation beginning of year	<u>306,000</u>
Net OPEB obligation end of year	<u><u>\$ 331,000</u></u>

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

For the year ended June 30, 2015, the District contributed \$110,274 to the medical plan.

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

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2013	\$ 137,651	81.1%	\$ 278,000
2014	138,821	79.8%	306,000
2015	135,274	81.5%	331,000

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

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 \$1,168,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,168,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,653,000, and the ratio of the UAAL to covered payroll was 32.0%. As of June 30, 2015, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 7.0%. The ultimate medical trend rate is 5.0%. The medical trend rate is reduced 1.0% each year until reaching the 5.0% ultimate trend rate.

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

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

Note 9. Risk Management

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

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$265,026 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.

Note 11. Categorical Funding

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

Program	Amount
Professional development for model core curriculum	\$ 49,579
Returning dropouts and dropout prevention programs	34,232
Professional development	25,471
Successful progression for early readers	24,745
Home school assistance program	16,007
Gifted and talented programs	6,809
Market factor incentives	5,334
Teacher leadership grants	1,780
Teacher salary supplement	1,470
Total	\$ 165,427

Note 12. Commitments

The District has entered into a construction contract totaling \$162,814 for a football field lighting project. As of June 30, 2015, the project had not yet been started.

In addition, the District entered into an agreement for the purchase of a 78 passenger school bus for \$92,021.

Note 13. Contingency – Petition for Dissolution

The Board of Education of the Gladbrook-Reinbeck Community School District made the cost-saving decision to close the education facility located in the City of Gladbrook. As a result, some citizens have filed a petition of dissolution of the District. A dissolution commission has been appointed and has one year to submit the final proposal for reassigning the District's assets and students among other local school districts or to report that no decision could be made. Upon submission of the dissolution board's proposal, the residents of the Gladbrook-Reinbeck Community School District will be required to have a vote of approval or rejection of the plan in the next election cycle.

The District is involved in various legal actions related to the above noted decision to close the Gladbrook facilities which were filed by citizens or groups of citizens with children affected by the closing of the facilities. The outcomes of these cases cannot be determined at this time.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 14. Accounting Change/Restatement

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

	Governmental Activities	Business-type Activities and Proprietary Fund, School Nutrition
Net position June 30, 2014, as previously reported	\$ 5,878,078	\$ 46,553
Net pension liability at June 30, 2014	(3,070,455)	(76,025)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>329,096</u>	<u>8,148</u>
Net position July 1, 2014, as restated	<u>\$ 3,136,719</u>	<u>\$ (21,324)</u>

Note 15. Subsequent Event

On August 20, 2015, the District approved a construction contract totaling \$147,984 for a soccer field lighting project.

Required Supplementary Information

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year Ended June 30, 2015

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
<b>REVENUES:</b>						
Local sources	\$ 3,448,513	\$ 169,781	\$ 3,618,294	\$ 3,936,580	\$ 3,936,580	\$ (318,286)
State sources	3,734,846	2,113	3,736,959	3,267,243	3,267,243	469,716
Federal sources	212,741	126,137	338,878	232,000	232,000	106,878
<b>Total revenues</b>	<b>7,396,100</b>	<b>298,031</b>	<b>7,694,131</b>	<b>7,435,823</b>	<b>7,435,823</b>	<b>258,308</b>
<b>EXPENDITURES/EXPENSES:</b>						
Instruction	4,571,175	-	4,571,175	4,337,000	4,757,000	185,825
Support services	2,251,068	588	2,251,656	2,852,565	2,472,565	220,909
Non-instructional programs	10,891	281,097	291,988	290,000	330,000	38,012
Other expenditures	929,586	-	929,586	1,407,495	1,407,495	477,909
<b>Total expenditures/expenses</b>	<b>7,762,720</b>	<b>281,685</b>	<b>8,044,405</b>	<b>8,887,060</b>	<b>8,967,060</b>	<b>922,655</b>
Excess (deficiency) of revenues over (under) expenditures/ expenses	(366,620)	16,346	(350,274)	(1,451,237)	(1,531,237)	1,180,963
Other financing sources, net	225,025	-	225,025	300,000	300,000	(74,975)
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	(141,595)	16,346	(125,249)	(1,151,237)	(1,231,237)	1,105,988
Balance beginning of year, as restated	3,204,916	(21,324)	3,183,592	2,682,055	2,682,055	501,537
Balance end of year	\$ <u>3,063,321</u>	\$ <u>(4,978)</u>	\$ <u>3,058,343</u>	\$ <u>1,530,818</u>	\$ <u>1,450,818</u>	\$ <u>1,607,525</u>

See accompanying independent auditor's report.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

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

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures/expenses known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment increasing budgeted expenditures/expenses by \$80,000.

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

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

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

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

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.0577454
District's proportionate share of the net pension liability	\$ 2,290
District's covered-employee payroll	\$ 3,610
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	63.43%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

See accompanying independent auditor's report.

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

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GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

Schedule of the District's Contributions

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

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contributions	\$ 322	\$ 337	\$ 312	\$ 250
Contributions in relation to the statutorily required contribution	<u>322</u>	<u>337</u>	<u>312</u>	<u>250</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,610	\$ 3,777	\$ 3,594	\$ 3,103
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 214	\$ 210	\$ 207	\$ 201	\$ 187	\$ 189
214	210	207	201	187	189
<u>\$ -</u>					
\$ 3,075	\$ 3,163	\$ 3,257	\$ 3,330	\$ 3,256	\$ 3,292
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

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

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

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

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

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

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

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

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information  
Year Ended June 30, 2015

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( (b-a)/c )
2010	July 1, 2009	\$ -	\$ 1,950	\$ 1,950	0.0%	\$ 2,602	74.9%
2011	July 1, 2009	-	1,950	1,950	0.0%	2,788	69.9%
2012	July 1, 2009	-	1,950	1,950	0.0%	3,160	61.7%
2013	July 1, 2012	-	1,168	1,168	0.0%	3,729	31.3%
2014	July 1, 2012	-	1,168	1,168	0.0%	3,844	30.4%
2015	July 1, 2012	-	1,168	1,168	0.0%	3,653	32.0%

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

See accompanying independent auditor's report.

Supplementary Information

## GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2015

	<u>Special Revenue</u>			
	<u>Student Activity</u>	<u>Debt Service</u>		<u>Total</u>
Assets				
Cash and pooled investments	\$ 93,303	\$ 2,518	\$	95,821
Receivables:				
Property tax:				
Interfund receivable	1,058	-	-	1,058
Accounts	2,060	-	-	2,060
				<u>2,060</u>
Total assets	<u>\$ 96,421</u>	<u>\$ 2,518</u>	<u>\$</u>	<u>98,939</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 5,695	\$ -	\$	5,695
Salaries and benefits payable	780	-	-	780
Total liabilities	<u>6,475</u>	<u>-</u>	<u>-</u>	<u>6,475</u>
Fund balances:				
Restricted for:				
Debt service	-	2,518	-	2,518
Student activities	89,946	-	-	89,946
Total fund balances	<u>89,946</u>	<u>2,518</u>	<u>-</u>	<u>92,464</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 96,421</u>	<u>\$ 2,518</u>	<u>\$</u>	<u>98,939</u>

See accompanying independent auditor's report.

## GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

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

	<u>Special Revenue</u>		
	<u>Student Activity</u>	<u>Debt Service</u>	<u>Total</u>
Revenues:			
Local sources:			
Other	\$ 183,167	\$ 18	\$ 183,185
Expenditures:			
Current:			
Instruction	195,046	-	195,046
Other expenditures:			
Long term debt:			
Principal	-	383,742	383,742
Interest and fiscal charges	-	20,639	20,639
Total expenditures	<u>195,046</u>	<u>404,381</u>	<u>599,427</u>
Deficiency of revenues under expenditures	(11,879)	(404,363)	(416,242)
Other financing sources:			
Interfund transfers in	-	284,194	284,194
Net change in fund balances	(11,879)	(120,169)	(132,048)
Fund balances beginning of year	<u>101,825</u>	<u>122,687</u>	<u>224,512</u>
Fund balances end of year	<u>\$ 89,946</u>	<u>\$ 2,518</u>	<u>\$ 92,464</u>

See accompanying independent auditor's report.

## GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
CAPITAL PROJECTS ACCOUNTS  
June 30, 2015

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 698,799	\$ 601,987	\$ 1,300,786
Receivables:			
Property tax:			
Current year	-	2,490	2,490
Succeeding year	-	228,528	228,528
Income surtax	-	57,597	57,597
Due from other governments	88,477	-	88,477
 Total assets	 \$ 787,276	 \$ 890,602	 \$ 1,677,878
 Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	3,707	61,963	65,670
Due to other governments	-	2,458	2,458
Total liabilities	\$ 3,707	\$ 64,421	\$ 68,128
 Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	228,528	228,528
Other	-	57,597	57,597
	-	286,125	286,125
 Fund balances:			
Restricted for:			
School infrastructure	783,569	-	783,569
Physical plant and equipment	-	540,056	540,056
Total fund balances	783,569	540,056	1,323,625
 Total liabilities, deferred inflows of resources and fund balances	 \$ 787,276	 \$ 890,602	 \$ 1,677,878

See accompanying independent auditor's report.

## GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 Year Ended June 30, 2015

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	\$ 263,890	\$ 263,890
Other	2,481	3,478	5,959
State sources	563,678	722	564,400
Total revenues	566,159	268,090	834,249
Expenditures:			
Current:			
Instruction	202,495	3,335	205,830
Support services:			
Student	534	-	534
Instructional staff	19,505	12,905	32,410
Administration	-	18,235	18,235
Operation and maintenance of plant	-	12,483	12,483
Transportation	-	91,021	91,021
Non-instructional programs	-	4,141	4,141
Other expenditures:			
Facilities acquisition	4,026	256,153	260,179
Total expenditures	226,560	398,273	624,833
Excess (deficiency) of revenues over (under) expenditures	339,599	(130,183)	209,416
Other financing sources (uses):			
Capital lease proceeds	209,875	-	209,875
Interfund transfers out	(153,654)	(130,540)	(284,194)
Total other financing sources (uses)	56,221	(130,540)	(74,319)
Net change in fund balances	395,820	(260,723)	135,097
Fund balances beginning of year	387,749	800,779	1,188,528
Fund balances end of year	\$ 783,569	\$ 540,056	\$ 1,323,625

See accompanying independent auditor's report.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

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

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama	\$ 4,826	\$ 2,950	\$ 1,897	\$ 5,879
Vocal Music	2,948	813	359	3,402
High School Music Fundraiser	10,534	4,809	10,406	4,937
Instrumental Music	2,293	2,741	2,439	2,595
Band Fundraisers	8,493	4,909	10,406	2,996
General Athletics	6,825	34,811	31,833	9,803
Cross Country	-	2,699	2,699	-
Golf	-	815	815	-
Boys Basketball	-	7,727	7,727	-
Boys Basketball Fundraiser	2,236	458	-	2,694
Football	-	11,800	11,800	-
Soccer	-	3,857	3,857	-
Baseball	-	7,118	7,118	-
Boys Track	-	1,509	1,509	-
Wrestling	-	3,434	3,434	-
Girls Basketball	-	5,686	5,686	-
Volleyball	-	6,297	6,297	-
Softball	-	3,665	3,665	-
Girls Track	-	1,164	1,164	-
Girls Soccer	-	3,101	3,101	-
Activity Tickets	3,272	850	265	3,857
Special Olympics Fundraiser	132	-	132	-
Athletic resale	-	495	495	-
Cheerleaders	1,420	2,432	2,712	1,140
Class of 2010	134	-	-	134
Class of 2012	625	-	-	625
Class of 2013	379	-	-	379
Class of 2014	46	-	-	46
Class of 2015	8,323	1,773	8,872	1,224
Class of 2016	1,250	22,674	17,193	6,731
Class of 2017	387	535	-	922
Class of 2018	-	467	10	457
FFA	9,296	19,355	24,453	4,198
Foreign Friends	399	-	-	399
Peer Helper	416	-	94	322
Interest from Investments	2,388	535	421	2,502
National Honor Society	17	373	107	283
Resale	15	-	-	15
Student Council - High School	693	3,542	2,970	1,265

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

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

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
SADD	\$ 301	\$ -	\$ -	\$ 301
Yearbook	5,082	6,835	7,032	4,885
Art Club	103	-	-	103
Speech	2,194	4,145	2,486	3,853
Girls Basketball Fundraiser	2,081	458	-	2,539
Renovation Club	425	-	389	36
Weight Room Fundraiser	1,089	25	486	628
Elementary Student Council:				
Reinbeck	952	-	-	952
Gladbrook	474	207	12	669
Middle School:				
Activities	10,808	7,151	8,322	9,637
Pictures	6,686	365	-	7,051
Student Council	3,656	587	2,383	1,860
SADD	627	-	-	627
<b>Total</b>	<b>\$ 101,825</b>	<b>\$ 183,167</b>	<b>\$ 195,046</b>	<b>\$ 89,946</b>

See accompanying independent auditor's report.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 Year Ended June 30, 2015

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ 5,172	\$ 18,618	\$ 21,910	\$ 1,880
Liabilities				
Other payables	\$ 5,172	\$ 18,618	\$ 21,910	\$ 1,880

See accompanying independent auditor's report.

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GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2015	2014	2013	2012
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 2,996,666	\$ 3,267,821	\$ 3,456,350	\$ 3,716,683
Tuition	93,827	94,215	131,279	78,438
Other	358,020	357,626	303,497	418,467
State sources	3,734,846	3,701,702	3,368,740	3,259,835
Federal sources	212,741	205,349	220,884	183,622
<b>Total revenues</b>	<b>\$ 7,396,100</b>	<b>\$ 7,626,713</b>	<b>\$ 7,480,750</b>	<b>\$ 7,657,045</b>
<b>Expenditures:</b>				
Instruction	\$ 4,571,175	\$ 4,458,308	\$ 4,538,155	\$ 4,330,799
Support services:				
Student	304,559	230,932	223,548	166,122
Instructional staff	230,716	271,448	290,241	276,537
Administration	628,948	661,896	649,590	571,257
Operation and maintenance of plant	613,835	661,816	678,777	634,073
Transportation	473,010	480,894	414,812	454,899
Community services	-	-	-	-
Non-instructional programs	10,891	19,170	3,900	23,000
Other expenditures:				
Facilities acquisition	260,179	545,987	398,085	386,381
Long-term debt:				
Principal	383,742	389,115	380,809	323,745
Interest and fiscal charges	20,639	35,095	25,321	35,456
AEA flowthrough	265,026	263,295	255,398	265,371
<b>Total expenditures</b>	<b>\$ 7,762,720</b>	<b>\$ 8,017,956</b>	<b>\$ 7,858,636</b>	<b>\$ 7,467,640</b>

See accompanying independent auditor's report.

	2011	2010	2009	2008	2007	2006
\$	3,898,758	\$ 3,592,963	\$ 3,301,862	\$ 3,220,809	\$ 2,705,618	\$ 2,544,087
	58,932	76,427	52,019	61,136	56,419	75,557
	437,049	422,230	386,375	399,272	976,275	811,821
	3,187,151	2,822,386	3,589,336	3,563,399	3,539,946	3,365,496
	353,136	551,219	162,703	162,732	172,674	196,114
\$	<u>7,935,026</u>	<u>7,465,225</u>	<u>7,492,295</u>	<u>7,407,348</u>	<u>7,450,932</u>	<u>6,993,075</u>
\$	4,670,677	\$ 4,375,258	\$ 4,566,942	\$ 4,291,518	\$ 4,314,718	\$ 4,062,396
	149,392	176,175	135,769	113,194	137,450	129,810
	290,834	145,290	211,362	217,425	194,469	266,090
	596,373	635,466	656,251	720,125	705,781	661,661
	629,697	620,299	652,443	631,931	541,213	602,178
	368,668	663,933	423,045	365,011	333,388	523,899
	-	-	823	895	806	850
	9,195	7,729	775	625	565	1,705
	271,904	1,046,784	567,663	489,713	158,435	293,935
	321,298	110,000	90,000	85,000	85,000	85,000
	34,795	28,583	23,920	26,640	28,905	31,145
	298,467	298,097	263,372	256,911	251,550	235,401
\$	<u>7,641,300</u>	<u>8,107,614</u>	<u>7,592,365</u>	<u>7,198,988</u>	<u>6,752,280</u>	<u>6,894,070</u>

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

**HUNT & ASSOCIATES, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

1201 HIGH AVENUE WEST  
OSKALOOSA, IA 52577  
641/672-2541  
FAX 641/672-2461  
  
317 EAST ROBINSON  
KNOXVILLE, IA 50138  
641/842-3184  
FAX 641/828-7404

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

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

We have audited in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Gladbrook-Reinbeck 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 November 2, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in part I of the accompanying Schedule of Findings as item I-A-15, that we consider to be a significant deficiency.

### Compliance

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

### Gladbrook-Reinbeck Community School District's Responses to the Findings

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

### Purpose of this Report

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

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

*Hunt & Associates, P.C.*

Oskaloosa, Iowa  
November 2, 2015

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2015

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

I-A-15 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. For the General, Debt Service and Capital Projects Funds the same individual can open mail, prepare the receipt, make bank deposits, do data entry and perform the bank reconciliation.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However controls for receipts would have a second individual open the mail and prepare an initial listing of the checks received and later compare to the actual deposits, or to have an independent individual perform the bank reconciliation or switch duties between people controlling specific accounts.

Response – A large percentage of the total receipts in the General, Debt Service and Capital Projects Funds are now electronic remittances, thus we are less concerned about the remaining small receipts due to cost-effectiveness.

Conclusion – Response accepted.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2015

Part II: Other Findings Related to Statutory Reporting:

- II-A-15 Certified Budget – Expenditures/expenses 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>
Trunck’s Country Foods, Owned By Darren Trunck, coach	Supplies	\$6,493
Turfmaster, owned by Jeff Charley, teacher	Services	\$14,306
Andrea Rowe, spouse of Board Member Douglas Rowe	Teaching	\$55,501

The transactions with the spouse of Board member Rowe do not represent a conflict of interest according to an Attorney General’s opinion dated November 9, 1976 relating to the employment of spouses in teaching contracts. All other transactions appear to be arms-length transactions and in compliance with Sections 279.7A and 301.28 of the Code of Iowa.

- II-E-15 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-15 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- 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 and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-15 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2015

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

- II-K-15 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.
  
- 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	\$		387,749
Revenues:			
Interest	\$	2,481	
Statewide sales, services and use tax		563,678	
Issuance of long-term debt		<u>209,875</u>	776,034
Expenditures/transfers out:			
School infrastructure construction		3,406	
Equipment		212,004	
Other		11,150	
Transfers to other funds:			
Debt Service Fund		<u>153,654</u>	<u>380,214</u>
Ending balance	\$		<u><u>783,569</u></u>

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

GLADBROOK-REINBECK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2015

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

II-M-15 Financial Condition – We noted the Enterprise Fund, School Nutrition had a deficit unrestricted net position balance at June 30, 2015 of \$40,519. The District’s business-type activities reported a deficit unrestricted net position at June 30, 2015 of \$40,519 and the District’s governmental activities reported a deficit unrestricted net position at June 30, 2015 of \$2,412,566.

Recommendation – The District should research and implement as soon as possible the necessary financial restrictions and reforms to return operations as noted above to sound financial conditions.

Response – The large deficits are due primarily to the District’s implementation of Governmental Accounting Standards Board Statement number 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. See footnote 14 to the basic financial statements for an explanation of the associated changes in the financial statements. The deficit net position in governmental activities is due directly to the inclusion of the net pension liability and related deferred outflows and deferred inflows in the financial statements related to the public employee pension system. The large deficits in business-type activities and the School Nutrition Fund are primarily due to the same effects.

Conclusion – Response accepted.