

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITORS' REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2015**

TABLE OF CONTENTS

Officials.....	1
Independent Auditors’ Report	2
Management’s Discussion and Analysis	4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Governmental Fund Financial Statements:	
Balance Sheet	17
Reconciliation of the Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balances	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	20
Proprietary Fund Financial Statements:	
Statement of Net Position	21
Statement of Revenues, Expenses and Changes in Net Position	22
Statement of Cash Flows	23
Fiduciary Fund Financial Statements:	
Statement of Net Position	24
Notes to Financial Statements	25
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual, All Governmental Funds and Proprietary Fund	43
Notes to Required Supplementary Information – Budgetary Reporting	44
Schedule of the District’s Proportionate Share of the Net Pension Liability	45
Schedule of District Contributions	46
Notes to Required Supplementary Information – Pension Liability	48
Schedule of Funding Progress for the Retiree Health Plan	50
Other Supplementary Information:	
Governmental Nonmajor Funds:	
Combining Balance Sheet	51
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	52
Schedule of Student Activity Account Activity	53
Schedule of Revenues by Source and Expenditures by Function	54
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance with Government Auditing Standards	56
Schedule of Findings.....	58

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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BOARD OF EDUCATION

Kyle Norris	President	2017
Galen Chicoine	Vice President	2015
Mat Hanson	Board Member	2017
Roger Schmitt	Board Member	2015
Kevin Jensen	Board Member	2015

SCHOOL OFFICIALS

Andrew Woiwood	Superintendent
Heidi Skattebo	Board Secretary



Independent Auditors' Report

To the Board of Education of the
Graettinger-Terril Community School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activity, each major fund and the aggregate remaining fund information of Graettinger-Terril Community School District, Graettinger, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as 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 accounting principles generally accepted in the United States of America; 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 that 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, business-type activity, each major fund, and the aggregate remaining fund information of Graettinger-Terril Community School District as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial statements, Graettinger-Terril Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and*

Financial Reporting for Pensions – An Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of the District Contributions, the Notes to Required Supplementary Information – Pension Liability, and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and pages 43 through 50 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, who 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 auditing standards generally accepted in the United States of America, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Graettinger-Terril Community School District's basic financial statements. We previously audited, in accordance with standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate 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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 22, 2016 on our consideration of the Graettinger-Terril Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Graettinger-Terril Community School District's internal control over financial reporting and compliance.

Williams + Company, P.C.

Certified Public Accountants

Spencer, Iowa
January 22, 2016

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

Graettinger-Terril 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 \$4,166,508 in fiscal 2014 to \$4,048,084 in fiscal 2015, while General fund expenditures increased from \$4,431,111 in fiscal 2014 to \$4,573,921 in fiscal 2015. The District's General fund balance decreased from \$1,237,010 at the end of fiscal 2014 to \$711,173 at the end of fiscal 2015, a 42.5% decrease.

The decrease in General fund revenues was attributable mainly to the decrease in property tax and other revenue. The increase in expenditures was due primarily to the increase of costs for educating our students including special education costs, particularly the increased costs of salaries and employee benefits.

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 Graettinger-Terril 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 Graettinger-Terril Community School District's operations in more detail than the government-wide statements and provide information about the most significant funds. The remaining statements provide financial information about activities for which Graettinger-Terril Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to the 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.
- Other Supplementary Information provides detailed information about the nonmajor governmental funds.

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

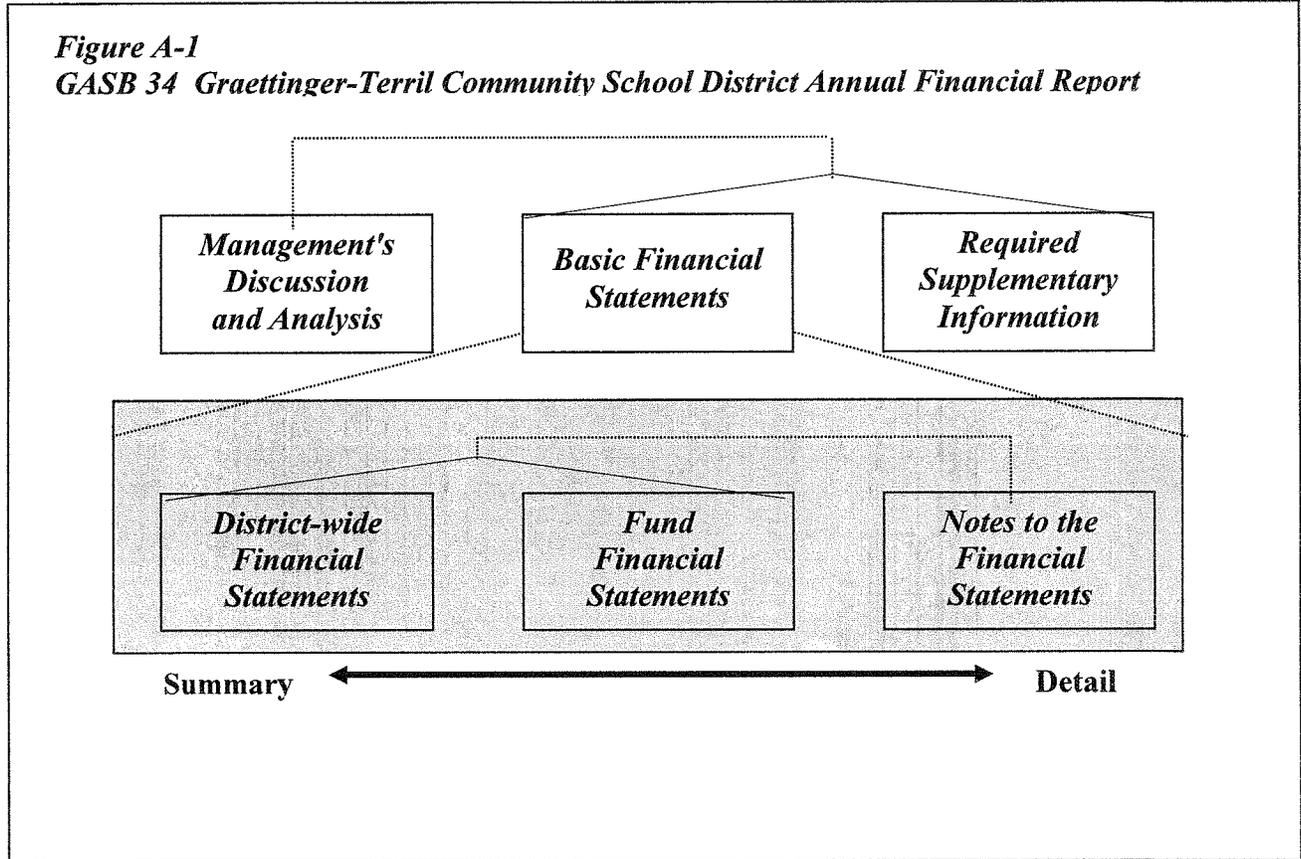


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<i>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</i>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary 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
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	Statement of net position Statement of revenues, expenses and changes in fund net position <ul style="list-style-type: none"> • Statement of cash flows
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
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
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 fund balance 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

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 a 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, deferred outflows of resources, liabilities, and deferred inflows of resources – 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 Statement

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 Project Funds. 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 Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

- 3) *Fiduciary funds*: Fiduciary funds are custodial in nature and are used to account for funds held by the District on behalf of someone else. The District's fiduciary funds include a private purpose scholarship trust fund. The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations. The required financial statements for fiduciary funds include a statement of fiduciary net position and a statement change in fiduciary net position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business-Type Activity		Total District		Total % Change
	2014		2014		2014		
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	
Current and Other Assets	\$ 4,406,235	\$ 4,820,815	\$ (10,449)	\$ (5,856)	\$ 4,395,786	\$ 4,814,959	-8.7%
Capital Assets	3,276,621	3,260,212	-	-	3,276,621	3,260,212	0.5%
Total Assets	7,682,856	8,081,027	(10,449)	(5,856)	7,672,407	8,075,171	-5.0%
Deferred Outflows of Resources	433,226	-	14,471	-	447,697	-	0.0%
Current Liabilities	624,281	639,983	4,860	9,849	629,141	649,832	-3.2%
Non-Current Liabilities	1,825,754	449,001	49,312	-	1,875,066	449,001	317.6%
Total Liabilities	2,450,035	1,088,984	54,172	9,849	2,504,207	1,098,833	127.9%
Deferred Inflows of Resources	2,794,829	2,071,412	18,806	-	2,813,635	2,071,412	35.8%
Net Position:							
Net Investment in							
Capital Assets	2,818,211	2,776,151	-	-	2,818,211	2,776,151	1.5%
Restricted	1,025,294	875,510	-	-	1,025,294	875,510	17.1%
Unrestricted	(972,287)	1,268,970	(68,956)	(15,705)	(1,041,243)	1,253,265	-183.1%
Total Net Position	\$ 2,871,218	\$ 4,920,631	\$ (68,956)	\$ (15,705)	\$ 2,802,262	\$ 4,904,926	-42.9%

The District's combined net position decreased 42.9%, or approximately \$2,100,000, from the prior year. A big portion of the decrease in net position came from its governmental activities, due to the recording of the net pension liability as required by GASB 68. The largest portion of the District's net position is net investment in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment, less the related debt). The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established debt covenants, enabling legislation or other legal requirements – decreased approximately \$2,270,000, or 181.5%. This decrease of unrestricted net position was largely due to the District’s net pension liability recorded in the current year as required by GASB 68 and also an increase in expenses in the General fund, particularly for the increase of costs for educating our students and special education costs, particularly the increased costs of salaries and employee benefits.

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 \$1,681,650 and \$56,173, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position.

Figure A-4

Changes in Net Position from Operations

	Governmental Activities		Business-Type Activity		Total District		Total % Change
	2014		2014		2014		
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	
Revenue:							
Program Revenue:							
Charges for Services	\$ 663,186	\$ 667,168	\$ 122,008	\$ 117,323	\$ 785,194	\$ 784,491	0.09%
Operating Grants and Contributions	546,811	525,874	136,779	112,017	683,590	637,891	7.16%
General Revenues:							
Property Tax	2,122,991	2,119,175	-	-	2,122,991	2,119,175	0.18%
SSSU Tax	322,441	319,608	-	-	322,441	319,608	0.89%
State Grants	1,169,242	1,242,279	-	-	1,169,242	1,242,279	-5.88%
Interest Income	5,855	4,728	-	-	5,855	4,728	23.84%
Contributions	7,229	26,017	-	-	7,229	26,017	0.00%
Miscellaneous	96,683	63,580	-	-	96,683	63,580	52.07%
Gain on Equipment Sales	-	13,858	-	-	-	13,858	-100.00%
Total Revenues	4,934,438	4,982,287	258,787	229,340	5,193,225	5,211,627	-0.35%
Expenses:							
Instruction	3,422,082	3,245,024	-	-	3,422,082	3,245,024	5.46%
Support Services	1,484,225	1,499,356	-	-	1,484,225	1,499,356	-1.01%
Non-Instructional	-	-	255,865	238,259	255,865	238,259	7.39%
Other Expenses	395,894	355,205	-	-	395,894	355,205	11.46%
Total Expenses	5,302,201	5,099,585	255,865	238,259	5,558,066	5,337,844	4.13%
Change in Net Position	\$ (367,763)	\$ (117,298)	\$ 2,922	\$ (8,919)	\$ (364,841)	\$ (126,217)	189.06%

Property tax and unrestricted state grants account for 63% of the total revenue. The District’s expenses primarily relate to instruction and support services which account for 88% of the total expenses.

The District's total revenues were approximately \$5.2 million, of which \$5.0 million was for governmental activities and \$200,000 was for business-type activities.

As shown in Figure A-4, the district as a whole experienced a 0.35% decrease in revenues and a 4.13% increase in expenses. The decrease in General fund revenues was attributable mainly to the decrease in property tax and other revenues. The increase in expenditures was due primarily to the increased costs of educating our students, including partial day share costs and special education costs, particularly the increased costs of salaries and employee benefits.

Governmental Activities

Revenues for governmental activities for the year ended June 30, 2015 were \$4,934,438 and expenses were \$5,302,201.

Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs, and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-5 - Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not Restated)	% Change	2015	2014 (Not Restated)	% Change
Instruction	\$ 3,422,082	\$ 3,245,024	5.46%	\$ 2,365,981	\$ 2,205,237	7.29%
Support Services	1,484,225	1,499,356	-1.01%	1,484,225	1,499,356	-1.01%
Other Expenses	395,894	355,205	11.46%	241,998	201,950	19.83%
Total	\$ 5,302,201	\$ 5,099,585	3.97%	\$ 4,092,204	\$ 3,906,543	4.75%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$663,186 in 2015.
- Federal and state governments subsidized certain programs and grants and contributions totaling \$546,811 in 2015.
- The net cost of governmental activities was financed with \$2,445,432 in property taxes and other taxes and \$1,169,242 in unrestricted state grants.

Business-Type Activities

Revenues of the District's business-type activities (school food and nutrition services) totaled \$258,787 representing a 12.84% increase from the prior year, while expenses totaled \$255,865, a 7.4% increase over the prior year. (Refer to Figure A-4.) The District's business-type activity includes the School Nutrition Fund. Revenues of this activity was comprised of charges for services, federal and state reimbursements and investment income.

An increase in salaries, benefits, and food costs account for the increase in expenses, while an increase in federal assistance accounts for the increase in revenue.

INDIVIDUAL FUND ANALYSIS

As previously noted, Graettinger-Terril 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 \$1,510,355, a 24.17% decrease over last year's ending fund balances of \$1,991,835.

Governmental Fund Highlights

The District attempted to maintain its General Fund balance by sharing staff and cutting expenses from portions of the budget that were not already obligated, such as supplies and maintenance items.

The General Fund balance decreased from \$1,237,010 to \$711,173 due, mainly, to the increased costs of educating our students, including partial day share costs and special education costs, particularly the increase in salaries and related benefits.

The Management Fund balance increased from \$460,813 at the end of fiscal year 2014 to \$469,435 at the end of fiscal year 2015. This was due to an increased tax levy with expenses maintaining similar balances.

The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$3,282 to \$133,262 due mainly to an increase in property tax revenue and less administrative technology expenses than the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from (\$71,878) at June 30, 2014 to (\$68,956) at June 30, 2015 due mostly to an increase in federal revenues with a smaller increase in food and other costs.

Budgetary Highlights

On May 25, 2015, an amendment to the fiscal year 2015 budget was approved in the amount of \$328,000 for instruction, \$458,000 for support services, \$35,000 for non-instructional programs, and \$265,577 for other expenditures.

The District's revenues were \$192,000 more than budgeted, primarily due to more tax revenue.

Total expenditures were less than budgeted expenses primarily due to maintaining control over expenditures.

CAPITAL AND DEBT ADMINISTRATION

At June 30, 2015, the District had invested \$3.3 million, net of accumulated depreciation, in a broad range of assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. This represents less than 1% increase from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Total depreciation expense for the year was \$287,645.

The original cost of the District's capital assets was \$8,277,800. Governmental funds account for \$8,226,150 with the remainder of \$51,650 accounted for in the Proprietary, School Nutrition Fund. The largest change in capital asset activity was due to parking lot and sidewalk improvements.

Figure A-6 - Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activity		Total District		Total % Change
	2015	2014	2015	2014	2015	2014	
Land	\$ 254,001	\$ 254,001	\$ -	\$ -	\$ 254,001	\$ 254,001	0.00%
Construction in Progress	28,507	20,300	-	-	28,507	20,300	0.00%
Site Improvements	573,058	417,830	-	-	573,058	417,830	37.15%
Buildings & Improvements	1,840,180	1,957,433	-	-	1,840,180	1,957,433	-5.99%
Equipment, Furniture & Vehicles	580,875	610,648	-	-	580,875	610,648	-4.88%
Total	\$ 3,276,621	\$ 3,260,212	\$ -	\$ -	\$ 3,276,621	\$ 3,260,212	0.50%

Long-Term Debt

At year-end, the District had \$458,410 of long-term debt outstanding. This represents a decrease of approximately 5% from last year. See Figure A-7 below. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The USDA Loan is related to the construction of the fitness center. The Lease Payable is for multiple bus leases. In 2015, the District entered a new lease agreement for \$79,980 for one bus.

Figure A-7 - Long-Term Debt

	Total District		Total % Change
	2015	2014	
USDA Loan Payable	\$ 252,000	\$ 288,000	-12.50%
Lease Payable	206,410	196,061	5.28%
Total	\$ 458,410	\$ 484,061	-5.30%

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Enrollment decreased again for fiscal year 2016 by 11 students. Declining enrollment has been the trend, although it appears to be slowly increasing for next school year. It will still require due diligence on the part of the administration and board of education.
- Adequate growth continues to be a necessity in order for the District to properly maintain its educational opportunities.
- Partial Day Share agreement and Athletic Share agreement continues with Ruthven-Ayrshire CSD.
- The Summer Lunch program continued during the summer months of 2015. This program provides a lunch free to any child and a lunch to any adult at a cost during the summer months when school is not in session. It is a program through the federal and state governments as a collaboration to end child hunger. It also increased revenues for the Nutrition fund.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional information, contact Graettinger-Terril Community School District, 400 West Lost Island Street, Graettinger, IA 51342.

BASIC FINANCIAL STATEMENTS

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government Governmental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 1,110,934	\$ -	\$ 1,110,934
Pooled Investments	700,449	-	700,449
Receivables:			
Property Tax	21,713	-	21,713
Property Tax - Succeeding Year	2,231,835	-	2,231,835
Other Accounts Receivable	647	65	712
Income Surtax	41,860	-	41,860
Due from Other Governmental Agencies	271,577	7,480	279,057
Internal Balances	21,278	(21,278)	-
Inventories	-	1,267	1,267
Prepaid Expenses	5,942	2,017	7,959
Land	254,001	-	254,001
Construction in Progress	28,507	-	28,507
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	2,994,113	-	2,994,113
Total Assets	<u>7,682,856</u>	<u>(10,449)</u>	<u>7,672,407</u>
Deferred Outflows of Resources			
Pension Related Deferred Outflows	<u>433,226</u>	<u>14,471</u>	<u>447,697</u>
Liabilities			
Accounts Payable	297,817	275	298,092
Accrued Wages and Payroll Liabilities	131,864	4,585	136,449
Advances from Grantors	3,293	-	3,293
Accrued Interest Payable	3,696	-	3,696
Long-Term Liabilities:			
Debt Due Within One Year:			
USDA Loan Payable	36,000	-	36,000
Lease Payable	144,370	-	144,370
Early Retirement Payable	7,241	-	7,241
Debt Due in More Than One Year:			
USDA Loan Payable	216,000	-	216,000
Lease Payable	62,040	-	62,040
Early Retirement Payable	23,334	-	23,334
Net Pension Liability	1,476,236	49,312	1,525,548
Net OPEB Liability	48,144	-	48,144
Total Liabilities	<u>2,450,035</u>	<u>54,172</u>	<u>2,504,207</u>
Deferred Inflows of Resources			
Unavailable Revenues:			
Succeeding Year Property Tax	2,231,835	-	2,231,835
Pension Related Deferred Inflows	562,994	18,806	581,800
Total Deferred Inflows of Resources	<u>2,794,829</u>	<u>18,806</u>	<u>2,231,835</u>
Net Position			
Net Investment in Capital Assets	2,818,211	-	2,818,211
Restricted for:			
Physical Plant and Equipment Levy	154,192	-	154,192
Categorical Funding	229,717	-	229,717
Student Activities	17,379	-	17,379
School Infrastructure	179,106	-	179,106
Management Levy	444,900	-	444,900
Unrestricted (Deficit)	(972,287)	(68,956)	(1,041,243)
Total Net Position	<u>\$ 2,871,218</u>	<u>\$ (68,956)</u>	<u>\$ 2,802,262</u>

See Accompanying Notes to Financial Statements

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
Instruction:				
Regular Instruction	\$ 2,099,571	\$ 462,528	\$ 271,300	\$ -
Special Instruction	673,306	81,922	-	-
Other Instruction	649,205	118,736	121,615	-
Support Services:				
Student Services	86,346	-	-	-
Instructional Staff Services	93,510	-	-	-
Administration Services	661,584	-	-	-
Operations and Maintenance	432,907	-	-	-
Transportation Services	209,878	-	-	-
Other Expenditures:				
Facilities Acquisition	57,485	-	-	-
Long-term Debt Interest and Fiscal Charges	5,573	-	-	-
AEA Flow-Through	153,896	-	153,896	-
Loss on Equipment Sales	2,476	-	-	-
Unallocated Depreciation*	176,463	-	-	-
Total Governmental Activities	<u>5,302,201</u>	<u>663,186</u>	<u>546,811</u>	<u>-</u>
Business-Type Activities:				
School Nutrition Fund	<u>255,865</u>	<u>122,008</u>	<u>136,779</u>	<u>-</u>
Total School District	<u>\$ 5,558,066</u>	<u>\$ 785,194</u>	<u>\$ 683,590</u>	<u>\$ -</u>

General Revenues:

Property Tax Levied For:
 General Purposes
 Capital Outlay
 Management Levy
Statewide Sales and Services Tax
Unrestricted State Grants
Interest on Investments
Contributions
Miscellaneous
Total General Revenues

Change in Net Position

Net Position - Beginning
Prior Period Adjustment
Net Position - Beginning, as Restated

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (1,365,743)		\$ (1,365,743)
(591,384)		(591,384)
(408,854)		(408,854)
(86,346)		(86,346)
(93,510)		(93,510)
(661,584)		(661,584)
(432,907)		(432,907)
(209,878)		(209,878)
(57,485)		(57,485)
(5,573)		(5,573)
-		-
(2,476)		(2,476)
(176,463)		(176,463)
<u>(4,092,204)</u>		<u>(4,092,204)</u>
-	\$ 2,922	2,922
<u>(4,092,204)</u>	<u>2,922</u>	<u>(4,089,282)</u>
1,718,168	-	1,718,168
279,678	-	279,678
125,145	-	125,145
322,441	-	322,441
1,169,242	-	1,169,242
5,855	-	5,855
7,229	-	7,229
96,683	-	96,683
<u>3,724,441</u>	<u>-</u>	<u>3,724,441</u>
(367,763)	2,922	(364,841)
4,920,631	(15,705)	4,904,926
<u>(1,681,650)</u>	<u>(56,173)</u>	<u>(1,737,823)</u>
<u>3,238,981</u>	<u>(71,878)</u>	<u>3,167,103</u>
<u>\$ 2,871,218</u>	<u>\$ (68,956)</u>	<u>\$ 2,802,262</u>

See Accompanying Notes to Financial Statements

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General	Management	Physical Plant and Equipment Levy	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 204,819	\$ 474,661	\$ 148,530	\$ 198,622	\$ 1,026,632
Pooled Investments	600,449	-	-	-	600,449
Receivables:					
Property Taxes	17,684	1,303	2,726	-	21,713
Property Taxes - Succeeding Year	1,821,359	150,000	260,476	-	2,231,835
Other Accounts Receivable	300	322	-	25	647
Income Surtax	20,930	-	20,930	-	41,860
Due from Other Governmental Agencies	211,373	-	-	60,204	271,577
Due from Other Funds	21,278	-	-	-	21,278
Prepaid Expenses	4,741	1,201	-	-	5,942
Total Assets	<u>2,902,933</u>	<u>627,487</u>	<u>432,662</u>	<u>258,851</u>	<u>4,221,933</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts Payable	215,125	-	17,994	62,366	295,485
Accrued Wages and Payroll Liabilities	131,053	811	-	-	131,864
Early Retirement Payable	-	7,241	-	-	7,241
Advances from Grantors	3,293	-	-	-	3,293
Total Liabilities	<u>349,471</u>	<u>8,052</u>	<u>17,994</u>	<u>62,366</u>	<u>437,883</u>
Deferred Inflows of Resources					
Unavailable Revenues:					
Succeeding Year Property Tax	1,821,359	150,000	260,476	-	2,231,835
Income Surtax	20,930	-	20,930	-	41,860
Total Deferred Inflows of Resources	<u>1,842,289</u>	<u>150,000</u>	<u>281,406</u>	<u>-</u>	<u>2,273,695</u>
Fund Balances					
Nonspendable:					
Prepaid Expenses	4,741	1,201	-	-	5,942
Restricted for:					
Categorical Funding	229,717	-	-	-	229,717
Student Activities	-	-	-	17,379	17,379
Management Levy	-	468,234	-	-	468,234
Statewide Sales, Service, and Use Tax	-	-	-	179,106	179,106
Physical Plant and Equipment	-	-	133,262	-	133,262
Unassigned	476,715	-	-	-	476,715
Total Fund Balances	<u>711,173</u>	<u>469,435</u>	<u>133,262</u>	<u>196,485</u>	<u>1,510,355</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,902,933</u>	<u>\$ 627,487</u>	<u>\$ 432,662</u>	<u>\$ 258,851</u>	<u>\$ 4,221,933</u>

See Accompanying Notes to Financial Statements

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2015**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds (page 17)	\$	1,510,355
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		3,276,621
Income surtax receivable at June 30, 2015 is not recognized as income until received in the governmental funds, however, it is shown as a receivable in the Statement of Net Position.		41,860
Accrued interest payable on long term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(3,696)
Internal service funds are used by management to charge the cost of certain activities, such as health insurance, to individual funds. The assets and liabilities of the Internal service fund are:		
Current Assets		184,302
Current Liabilities		(2,333)
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		433,226
Deferred Inflows of Resources		(562,994)
Long-term liabilities, including bonds and notes payable, net pension liability, capital leases, compensated absences and other postemployment benefits payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		<u>(2,006,123)</u>
Total Net Position - Governmental Activities (page 14)	\$	<u><u>2,871,218</u></u>

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General	Management	Physical Plant and Equipment Levy	Other Governmental Funds	Total Governmental Funds
Revenues					
Local Sources:					
Local Tax	\$ 1,714,502	\$ 125,145	\$ 276,012	\$ 322,441	\$ 2,438,100
Tuition	422,687	-	-	-	422,687
Other	195,543	6,642	52,729	114,235	369,149
State Sources	1,602,264	516	1,029	-	1,603,809
Federal Sources	113,088	91	25,182	-	138,361
Total Revenues	<u>4,048,084</u>	<u>132,394</u>	<u>354,952</u>	<u>436,676</u>	<u>4,972,106</u>
Expenditures					
Instruction:					
Regular Instruction	2,013,274	89,808	-	-	2,103,082
Special Instruction	683,648	-	-	-	683,648
Other Instruction	550,132	-	-	111,522	661,654
Support Services:					
Student Services	86,213	-	-	-	86,213
Instructional Staff Services	95,201	-	-	-	95,201
Administration Services	396,569	-	62,038	196,186	654,793
Operations and Maintenance	381,385	33,964	7,672	14,192	437,213
Transportation Services	213,603	-	79,980	-	293,583
Other Expenditures:					
Facilities Acquisition	-	-	44,098	209,021	253,119
Long-Term Debt:					
Principal	-	-	-	105,632	105,632
Interest and Fiscal Charges	-	-	-	5,532	5,532
AEA Flow-Through	153,896	-	-	-	153,896
Total Expenditures	<u>4,573,921</u>	<u>123,772</u>	<u>193,788</u>	<u>642,085</u>	<u>5,533,566</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(525,837)</u>	<u>8,622</u>	<u>161,164</u>	<u>(205,409)</u>	<u>(561,460)</u>
Other Financing Sources (Uses)					
Long-Term Debt Proceeds	-	-	79,980	-	79,980
Transfers In	-	-	-	111,164	111,164
Transfers Out	-	-	(111,164)	-	(111,164)
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>(31,184)</u>	<u>111,164</u>	<u>79,980</u>
Net Change in Fund Balance	<u>(525,837)</u>	<u>8,622</u>	<u>129,980</u>	<u>(94,245)</u>	<u>(481,480)</u>
Fund Balances at Beginning of Year	<u>1,237,010</u>	<u>460,813</u>	<u>3,282</u>	<u>290,730</u>	<u>1,991,835</u>
Fund Balances at End of Year	<u>\$ 711,173</u>	<u>\$ 469,435</u>	<u>\$ 133,262</u>	<u>\$ 196,485</u>	<u>\$ 1,510,355</u>

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

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

Net Change in Fund Balances - Total Governmental funds (page 19)		\$ (481,480)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities. This represents the change in income surtax receivable from the prior year.		7,332
Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense exceeded capital outlays in the current year as follows:		
Expenditures for capital assets	351,529	
Depreciation expense	(287,645)	63,884
Internal Service Funds are used by management to charge the costs of health insurance and benefits to individual funds. The net income of the Internal Service Fund is reported with governmental activities net of the amount allocated to business-type activities		
Change in Net Position		(612)
Accrued interest expense that does not require current financial resources.		(39)
Governmental funds report only the proceeds from the sale of capital assets as revenue whereas the statement of activities reports the gain or loss on the sale or disposal of fixed assets. This is the effect on the change in net position on the statement of activities.		(47,476)
Lease proceeds provide current financial resources to governmental funds, but increase long-term liabilities in the Statement of Net Position.		(79,980)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds without affecting the net position. The Statement of Activities does not reflect the payment of principal on long-term debt. The principal paid on long-term debt during the current year was:		105,632
The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are recorded as a deferred outflow of resources in the Statement of Net Position		217,556
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	7,241	
Other Postemployment Benefits	(17,910)	
Pension Expense	(141,911)	(152,580)
Change in Net Position of Governmental Activities (page 16)		\$ (367,763)

See Accompanying Notes to Financial Statements

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Enterprise Fund	Government Activities
	School Nutrition Fund	Internal Service Fund
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ -	\$ 84,302
Pooled Investments	-	100,000
Due from Other Government	7,480	-
Accounts Receivable	65	-
Prepaid Expenses	2,017	-
Inventories	1,267	-
Total Assets	<u>10,829</u>	<u>184,302</u>
Deferred Outflows of Resources		
Pension Related Deferred Outflows	<u>14,471</u>	<u>-</u>
Liabilities		
Current Liabilities:		
Accounts Payable	275	2,333
Salaries and Benefits Payable	4,585	-
Due to Other Funds	21,278	-
Noncurrent Liabilities:		
Net Pension Liability	49,312	-
Total Liabilities	<u>75,450</u>	<u>2,333</u>
Deferred Inflows of Resources		
Pension Related Deferred Inflows	<u>18,806</u>	<u>-</u>
Net Position		
Unrestricted (Deficit)	(68,956)	181,969
Total Net Position	<u>\$ (68,956)</u>	<u>\$ 181,969</u>

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Enterprise Fund	Governmental Activities
	School Nutrition Fund	Internal Service Fund
Operating Revenues:		
Charges for Services	\$ 108,324	\$ 42,201
Miscellaneous	13,684	-
Total Operating Revenue	<u>122,008</u>	<u>42,201</u>
Operating Expenses:		
Non-Instructional Programs:		
Food Service Operations:		
Salaries	83,116	-
Benefits	31,166	-
Food	141,548	-
Supplies	35	-
Other Enterprise Operations:		
Claims Expense	-	42,813
Total Operating Expenses	<u>255,865</u>	<u>42,813</u>
Operating (Loss)	(133,857)	(612)
Non-Operating Revenue:		
State Reimbursements	1,906	-
National School Lunch Program	116,921	-
Federal Food Commodities Received	17,952	-
Total Non-Operating Revenue	<u>136,779</u>	<u>-</u>
Change in Net Position	2,922	(612)
Net Position (Deficit) - Beginning	(15,705)	182,581
Prior Period Adjustment	(56,173)	-
Net Position (Deficit) - Beginning, Restated	<u>(71,878)</u>	<u>182,581</u>
Net Position (Deficit) - Ending	<u>\$ (68,956)</u>	<u>\$ 181,969</u>

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Enterprise Fund	Governmental Activities
	School Nutrition Fund	Internal Service Fund
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 119,470	\$ 42,201
Cash Payments for Salaries and Benefits	(119,080)	(41,070)
Cash Payments for Goods and Services	(126,108)	-
Net Cash Provided (Used) by Operating Activities	<u>(125,718)</u>	<u>1,131</u>
Cash Flows from Non-Capital Financing Activities		
Federal and State Appropriations Received	118,827	-
Cash Received from General Fund	6,891	-
Net Cash Provided by Non-Capital Financing Activities	<u>125,718</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	-	1,131
Cash and Cash Equivalents at Beginning of Year	<u>-</u>	<u>83,171</u>
Cash and Cash Equivalents at End of Year	<u>\$ -</u>	<u>\$ 84,302</u>
Reconciliation of Operating (Loss) to Net Cash Provided (Used) in Operating Activities:		
Operating (Loss)	\$ (133,857)	\$ (612)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided (Used) in Operating Activities:		
Commodities Used	17,952	-
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:		
Accounts Receivable	(2,538)	-
Inventory	240	-
Deferred Outflows	(7,205)	-
Accounts Payable	(2,717)	1,743
Accrued Salary and Benefits	(2,272)	-
Net Pension Liability	(14,127)	-
Deferred Inflows	18,806	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (125,718)</u>	<u>\$ 1,131</u>
Supplemental Schedule of Noncash Noncapital Financial Activities:		
Federal Food Commodities Received	<u>\$ 17,952</u>	<u>\$ -</u>

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

	<u>Agency Fund</u>
Assets	
Cash and Cash Equivalents	\$ 169
Total Assets	<u>169</u>
Liabilities	
Other Payable	169
Total Liabilities	<u>169</u>
Net Position	<u>\$ -</u>

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Graettinger-Terril Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades preschool through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the cities of Graettinger and Terril, Iowa, and agricultural area in Palo Alto, Dickinson, Clay, and Emmet Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis. The District currently has sharing agreements with Ruthven-Ayrshire Community School District for partial day share and athletic sharing.

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, Graettinger-Terril Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Graettinger-Terril 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 Palo Alto, Dickinson, and Emmet County Assessor's 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 non-fiduciary 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.

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- *Net Investment in Capital Assets*, consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction or improvement of those assets.
- *Restricted Net Position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* consists of net position that does not meet the definition of the two preceding categories. Unrestricted Net Position often has constraints on resources that are imposed which can be removed or modified.

The District first uses restricted resources to finance qualifying activities.

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 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 first uses restricted resources to finance qualifying activities.

The District reports the following major governmental funds:

- The **General Fund** is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.
- The **Management Fund** is used to account for a property tax levy per thousand dollars of assessed valuation in the District for insurance premiums, unemployment compensation, insurance claims, and early retirement.

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 – **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- The **Capital Projects Fund, Physical Plant and Equipment Levy** is used to purchase equipment and for major repairs and improvements to buildings and grounds. It is funded primarily through a combination of property tax and income surtax.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 1 – **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as 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 balance sheet:

Cash, Cash Equivalents, and Pooled Investments– The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost. For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2015 included certificates of deposits of \$700,449 with original maturity dates longer than three months.

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

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

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

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 contributed value for 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. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of one year.

Land	\$ 2,000
Buildings	\$ 10,000
Improvements other than Buildings	\$ 10,000
Furniture and Equipment:	
School Nutrition Fund Equipment	\$ 500
Other Furniture and Equipment	\$ 2,000

Capital assets are depreciated using the straight line method of depreciation over the following 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 non-certified staff corresponding to the current school year, have been accrued as liabilities.

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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 imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other spendable classifications.

Restricted Net Position – In the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures in the Instruction and Non-Instructional Programs functions exceeded the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

Note 2 – CASH, CASH EQUIVALENTS, 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 insure there will be no loss of public funds.

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

Custodial Credit Risk – The District has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does have a formal investment policy that limits investment maturities to 15 months or less. The District’s investments consist of certificates of deposit that have original maturities of less than 15 months.

Note 3 – INTERFUND TRANSFERS

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

Transfer to	Transfer from	Amount
Debt Service	PPEL	\$ 111,164
		<u>\$ 111,164</u>

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

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 4 – **CAPITAL ASSETS** –

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

	Balance			Balance
	June 30, 2014	Additions	Deletions	June 30, 2014
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 254,001	\$ -	\$ -	\$ 254,001
Construction in Progress	20,300	136,718	128,511	28,507
Total assets not being depreciated	<u>274,301</u>	<u>136,718</u>	<u>128,511</u>	<u>282,508</u>
Capital assets being depreciated:				
Site Improvements	500,899	189,122	-	690,021
Buildings and Improvements	3,899,758	-	-	3,899,758
Furniture and Equipment	3,293,929	154,201	94,267	3,353,863
Total capital assets being depreciated	<u>7,694,586</u>	<u>343,323</u>	<u>94,267</u>	<u>7,943,642</u>
Less: Accumulated Depreciation for:				
Site Improvements	83,069	33,894	-	116,963
Buildings and Improvements	1,942,325	117,253	-	2,059,578
Furniture and Equipment	2,683,281	136,498	46,791	2,772,988
Total Accumulated Depreciation	<u>4,708,675</u>	<u>287,645</u>	<u>46,791</u>	<u>4,949,529</u>
Total capital assets being depreciated, net	<u>2,985,911</u>	<u>55,678</u>	<u>47,476</u>	<u>2,994,113</u>
Governmental activities capital assets, net	<u>3,260,212</u>	<u>192,396</u>	<u>175,987</u>	<u>3,276,621</u>
Business-type Activity:				
Furniture and Equipment	51,650	-	-	51,650
Less Accumulated Depreciation	51,650	-	-	51,650
Business-type activity capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense was charged to the following functions:

Governmental Activities:	
Transportation Services	\$ 56,683
Regular Instruction	21,575
Operation and Maintenance	7,356
Administrative Services	23,543
Support Services	2,025
Unallocated	176,463
Total depreciation expense - governmental activities	<u>\$ 287,645</u>

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 4 – **CAPITAL ASSETS (Continued)**

Reconciliation of Net Investment in Capital Assets:

	<u>Governmental Activities</u>	<u>Business-type Activity</u>
Land	\$ 254,001	\$ -
Construction in Progress	28,507	-
Capital Assets (net of accumulated depreciation)	2,994,113	-
Less:		
Bonds Payable	(252,000)	-
Lease Payable	(206,410)	-
	<u>\$ 2,818,211</u>	<u>\$ -</u>
Net Investment in Capital Assets	<u>\$ 2,818,211</u>	<u>\$ -</u>

Note 5 – **LONG-TERM LIABILITIES**

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

	Beginning Balance Restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
USDA Loan	\$ 288,000	\$ -	\$ 36,000	\$ 252,000	\$ 36,000
Capital Lease Payable	196,061	79,980	69,631	206,410	144,370
Early Retirement	40,554	-	9,979	30,575	7,241
Net Pension Liability	1,899,160	-	422,924	1,476,236	-
Net OPEB Liability	30,234	17,910	-	48,144	-
	<u>\$ 2,454,009</u>	<u>\$ 97,890</u>	<u>\$ 538,534</u>	<u>\$ 2,013,365</u>	<u>\$ 187,611</u>
Long-Term Liabilities	<u>\$ 2,454,009</u>	<u>\$ 97,890</u>	<u>\$ 538,534</u>	<u>\$ 2,013,365</u>	<u>\$ 187,611</u>
Business Type Activities					
Net Pension Liability	\$ 63,439	\$ -	\$ 14,127	\$ 49,312	\$ -
	<u>\$ 63,439</u>	<u>\$ -</u>	<u>\$ 14,127</u>	<u>\$ 49,312</u>	<u>\$ -</u>

Capital Lease

As of June 30, 2015, equipment under capital leases consists of three buses. The buses had a capitalized cost of \$266,400. Accumulated depreciation in the statement of net position and depreciation reported in the statement of activities in the amount of \$34,249 was recorded in 2015 relating to the buses. Future lease payments are summarized as follows:

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 5 – **LONG-TERM LIABILITIES (Continued)**

Year Ending June 30	Governmental Activities	
	Principal	Interest
2016	\$ 144,370	\$ 5,378
2017	8,382	1,551
2018	53,658	1,343
	\$ 206,410	\$ 8,272

USDA Loan

The District entered into a loan agreement on August 4, 2011 with the USDA in the amount of \$360,000 with a 0% interest rate. The loan was used to help fund the construction of the fitness center. Future loan payments are summarized as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2016	\$ 36,000	\$ -
2017	36,000	-
2018	36,000	-
2019	36,000	-
2020	36,000	-
2021-2022	72,000	-
	\$ 252,000	\$ -

Early Retirement

The District has offered a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed a stated number of years of service as a full-time licensed employee to the District. Employees must complete an application which is required to be approved by the Board of Education. The District will provide insurance premium assistance to age 65 for the retiree. Early retirement benefits paid during the year ended June 30, 2015, totaled \$9,979. There were three retired individuals receiving benefits at June 30, 2015.

Note 6 – **PENSION AND RETIREMENT BENEFITS**

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.

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 6 – PENSION AND RETIREMENT BENEFITS (Continued)

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

Pension Benefits. A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first.

(These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of 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

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 6 – PENSION AND RETIREMENT BENEFITS (Continued)

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.

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 \$1,525,548 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 collective proportion was 0.037695 percent, which was an increase of 0.003032 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$146,651. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,580	\$ -
Changes of assumptions	67,326	-
Net difference between projected and actual earnings on pension plan investments	-	581,800
Changes in proportion and differences between District contributions and proportionate share of contributions	138,968	-
District contributions subsequent to the measurement date	224,823	-
Total	\$ 447,697	\$ 581,800

\$224,823 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 6 – PENSION AND RETIREMENT BENEFITS (Continued)

Year Ended June 30,	Total
2016	\$ (93,377)
2017	(93,377)
2018	(93,377)
2019	(93,377)
2020	14,582
Total	\$ (358,926)

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 6 – PENSION AND RETIREMENT BENEFITS (Continued)

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 2,882,480	\$ 1,525,548	\$ 380,157

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$42,372 for legally required employer contributions and \$28,232 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 7 – OTHER POSTEMPLOYMENT BENEFITS

Plan Description. An employee who has a minimum of 10 years of service and age 55 are provided single coverage health insurance until they reach the age of 65. Premiums are based on the full active employee premium rate.

Funding Policy. 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 other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 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 thirty years.

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

Annual required contribution	\$ 24,653
Interest on net OPEB obligation	756
Adjustment to annual required contribution	<u>(3,367)</u>
Annual OPEB cost (Expense)	22,042
Contributions made	<u>(4,132)</u>
Increase in net OPEB obligation	17,910
Net OPEB obligation - beginning of year	<u>30,234</u>
NET OPEB obligation - end of year	<u><u>\$ 48,144</u></u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 17,620	108.00%	\$ 2,452
2012	\$ 20,967	85.90%	\$ 5,413
2013	\$ 21,596	68.35%	\$ 12,247
2014	\$ 21,986	18.18%	\$ 30,234
2015	\$ 22,042	18.75%	\$ 48,144

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funded Status and Funding Progress. The funded status of the plan as of July 1, 2014 was as follows:

Actuarial accrued liability (AAL)	\$	53,460
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)		53,460
Funded ratio (actuarial value of plan assets/AAL)		-
Covered payroll (active members)	\$	2,130,678
UAAL as a percentage of covered payroll		2.51%

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 healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer 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 following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan 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 and do not explicitly reflect the potential effect of legal or contractual funding limitation. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Note 8 – AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$153,896 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.

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 9 - CATEGORICAL FUNDING

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

<u>Program</u>	<u>Amount</u>
At Risk	\$ 11,243
Talented and Gifted	76,910
Dropout Prevention	61,532
Teacher Salary Supplement	27,124
Early Literacy Program	29,291
Model Core Curriculum	5,584
Teacher Quality Professional Development	10,384
Teacher Leadership	6,299
Limited English Proficiency	1,350
Total	<u>\$ 229,717</u>

Note 10 – INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2015, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General Fund	Nutrition Fund	<u>\$ 21,278</u>

The purpose of the interfund balance from the Nutrition Fund to the General Fund is reimbursement for insurance benefits that were paid out of the General Fund that are related to the Nutrition Fund. It is also for an overdrawn cash account that the Nutrition fund owes the General Fund.

Note 11 – DEFICIT BALANCE

The Nutrition Fund had a deficit fund balance as of June 30, 2015 of \$(68,956). This deficit will be financed through future revenues of the fund.

Note 12 – RISK MANAGEMENT

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

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 13 – HEALTH CARE COVERAGE

The District maintains the Insurance Internal Service Fund to account for the District’s employee health care program, which is partially self-insured to cover claims only. Revenues are recognized through contributions from other funds. Changes in the medical claims liability amounts were:

Liability, Beginning of Year	\$	590
Current Year Claims and Changes in Estimates		42,812
Claim Payments		<u>(41,069)</u>
Liability, End of Year		<u>\$ 2,333</u>

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 governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and 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
Beginning Net Position, as Previously Stated	\$ 4,920,631	\$ (15,705)
Net Pension Liability at June 30, 2014	(1,899,160)	(63,439)
Deferred Outflows of Resources related to contributions made after the June 30, 2013 measurement data	<u>217,510</u>	<u>7,266</u>
Net Position July 1, 2014, as Restated	<u>\$ 3,238,981</u>	<u>\$ (71,878)</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCE, BUDGET
AND ACTUAL, ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Amended	Final to Actual Variance
Revenue						
Local Sources:						
Local Taxes	\$ 2,438,100	\$ -	\$ 2,438,100	\$ 2,123,008	\$ 2,123,008	\$ 315,092
Tuition	422,687	-	422,687	260,000	260,000	162,687
Other	369,149	122,008	491,157	513,530	513,530	(22,373)
State Sources	1,603,809	1,906	1,605,715	1,951,840	1,951,840	(346,125)
Federal Sources	138,361	134,873	273,234	190,000	190,000	83,234
Total Revenue	<u>4,972,106</u>	<u>258,787</u>	<u>5,230,893</u>	<u>5,038,378</u>	<u>5,038,378</u>	<u>192,515</u>
Expenditures/Expenses						
Instruction	3,448,384	-	3,448,384	2,940,000	3,268,000	(180,384)
Support Services	1,567,003	-	1,567,003	1,542,000	2,000,000	432,997
Non-Instructional Programs	-	255,865	255,865	215,000	250,000	(5,865)
Other Expenditures	518,179	-	518,179	396,423	662,000	143,821
Total Expenditures	<u>5,533,566</u>	<u>255,865</u>	<u>5,789,431</u>	<u>5,093,423</u>	<u>6,180,000</u>	<u>390,569</u>
Excess (Deficiency) of Revenues Over Expenditures/Expenses	(561,460)	2,922	(558,538)	(55,045)	(1,141,622)	583,084
Other Financing Sources (Uses)						
Operating Transfers From Other Funds	111,164	-	111,164	-	-	111,164
Operating Transfers to Other Funds	(111,164)	-	(111,164)	-	-	(111,164)
Long-Term Debt Proceeds	79,980	-	79,980	-	-	79,980
Total Other Financing Sources (Uses)	<u>79,980</u>	<u>-</u>	<u>79,980</u>	<u>-</u>	<u>-</u>	<u>79,980</u>
Change in Fund Balance	(481,480)	2,922	(478,558)	(55,045)	(1,141,622)	663,064
Fund Balance at Beginning of Year	1,991,835	(15,705)	1,976,130	1,976,130	1,976,130	-
Prior Period Adjustment	-	(56,173)	(56,173)	(56,173)	(56,173)	-
Fund Balance- Beginning of Year, Restated	<u>1,991,835</u>	<u>(71,878)</u>	<u>1,919,957</u>	<u>1,919,957</u>	<u>1,919,957</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 1,510,355</u>	<u>\$ (12,783)</u>	<u>\$ 1,497,572</u>	<u>\$ 1,921,085</u>	<u>\$ 778,335</u>	<u>\$ 663,064</u>

See Accompanying Independent Auditors' Report

**GRAETTINGER-TERRIL 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 Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted a budget amendment, increasing budgeted expenditures by \$1,086,577.

During the year ended June 30, 2015, expenditures in the Instruction and Non-Instructional Programs functions exceeded the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM LAST FISCAL YEAR*
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2015**

	2015
District's proportion of the net pension liability	0.037695%
District's proportionate share of the net pension liability	\$ 1,525,548
District's covered-employee payroll	\$ 2,517,088
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.61%
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.

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.

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 224,823	\$ 224,776	\$ 194,268	\$ 178,348
Contributions in relation to the statutorily required contribution	<u>224,823</u>	<u>224,776</u>	<u>194,268</u>	<u>178,348</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,517,619	\$ 2,517,088	\$ 2,240,692	\$ 2,210,012
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

See Accompanying Independent Auditors' Report

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 153,533	\$ 146,531	\$ 134,961	\$ 80,136	\$ 71,527	\$ 72,577
<u>153,533</u>	<u>146,531</u>	<u>134,961</u>	<u>80,136</u>	<u>71,527</u>	<u>72,577</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,209,108	\$ 2,203,474	\$ 2,125,370	\$ 1,324,562	\$ 1,243,948	\$ 1,262,209
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

**GRAETTINGER-TERRIL 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.

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
YEAR ENDED JUNE 30, 2015**

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

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

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

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
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)
2011	7/1/2010	\$ -	\$ 196,454	\$ 196,454	0%	\$ 2,643,000	7.4%
2012	7/1/2010	\$ -	\$ 183,947	\$ 183,947	0%	\$ 2,308,000	8.0%
2013	7/1/2010	\$ -	\$ 163,601	\$ 163,601	0%	\$ 2,248,429	7.3%
2014	7/1/2013	\$ -	\$ 63,081	\$ 63,081	0%	\$ 2,524,476	2.5%
2015	7/1/2013	\$ -	\$ 53,460	\$ 53,460	0%	\$ 2,160,678	2.5%

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

**OTHER SUPPLEMENTARY
INFORMATION**

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 GOVERNMENTAL NONMAJOR FUNDS
 JUNE 30, 2015**

SCHEDULE 1

		Debt Service	Special Revenue Fund	Capital Projects Fund	
		Debt Service	Student Activity	Statewide Sales, Services and Use Tax	Total
Assets					
Cash and Cash Equivalents	\$	-	\$ 13,428	\$ 185,194	\$ 198,622
Receivables:					
Other		-	25	-	25
Due from Other Governmental Agencies		-	8,133	52,071	60,204
Total Assets		<u>-</u>	<u>21,586</u>	<u>237,265</u>	<u>258,851</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable		-	4,207	58,159	62,366
Total Liabilities		<u>-</u>	<u>4,207</u>	<u>58,159</u>	<u>62,366</u>
Fund Balances					
Restricted for:					
Student Activities		-	17,379	-	17,379
Statewide Sales, Service, and Use Tax		-	-	179,106	179,106
Total Fund Balances		<u>-</u>	<u>17,379</u>	<u>179,106</u>	<u>196,485</u>
Total Liabilities and Fund Balance	\$	<u>-</u>	<u>\$ 21,586</u>	<u>\$ 237,265</u>	<u>\$ 258,851</u>

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 GOVERNMENTAL NONMAJOR FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

SCHEDULE 2

	Debt Service	Special Revenue Fund	Capital Project Funds	
	Debt Service	Student Activity	Statewide Sales, Services and Use Tax	Total
Revenues				
Local Sources				
Local Tax	\$ -	\$ -	\$ 322,441	\$ 322,441
Other	-	114,235	-	114,235
Total Revenues	<u>-</u>	<u>114,235</u>	<u>322,441</u>	<u>436,676</u>
Expenditures				
Instruction:				
Other Instruction	-	111,522	-	111,522
Support Services:				
Administration Services	-	-	196,186	196,186
Operation and Maintenance	-	-	14,192	14,192
Other Expenditures:				
Facilities Acquisition	-	-	209,021	209,021
Long-Term Debt				
Principal	105,632	-	-	105,632
Interest	5,532	-	-	5,532
Total Expenditures	<u>111,164</u>	<u>111,522</u>	<u>419,399</u>	<u>642,085</u>
(Deficiency) of Revenues Over Expenditures	(111,164)	2,713	(96,958)	(205,409)
Other Financing Sources (Uses)				
Transfers In	111,164	-	-	111,164
Total Other Financing Sources	<u>111,164</u>	<u>-</u>	<u>-</u>	<u>111,164</u>
Net Change in Fund Balances	-	2,713	(96,958)	(94,245)
Fund Balances at Beginning of Year	-	14,666	276,064	290,730
Fund Balances at End of Year	<u>\$ -</u>	<u>\$ 17,379</u>	<u>\$ 179,106</u>	<u>\$ 196,485</u>

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF INDIVIDUAL STUDENT ACTIVITY ACCOUNT ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2015**

SCHEDULE 3

	Balance June 30, 2014	Revenues and Interfund Transfers	Expenditures	Balance June 30, 2015
Athletic	\$ (6,288)	\$ 31,622	\$ 31,697	\$ (6,363)
Student Council HS	419	125	389	155
Student Council MS	(1,698)	1,698	-	-
Cheerleaders	1,057	5,875	6,041	891
Dance	2,573	6,284	6,903	1,954
National Honor Society	2,711	956	537	3,130
Drama	(2,813)	4,016	1,262	(59)
Speech	(451)	865	414	-
Class of 2014	1,324	-	1,324	-
Class of 2015	475	380	1,560	(705)
Class of 2016	52	11,672	7,408	4,316
Elementary	4,988	6,510	4,266	7,232
Yearbook/Annual	(11,098)	3,323	2,728	(10,503)
Hoffman Scholarship	445	-	-	445
Band	1,078	1,239	1,240	1,077
Vocal	18	1,287	644	661
Library	951	43	34	960
Office	5,305	917	6,222	-
Art Club	460	-	460	-
Marketing Club	45	3,703	1,450	2,298
FFA	10,734	37,138	38,528	9,344
FHA	385	1,908	1,574	719
MS Field Trips	3,994	893	3,060	1,827
Total for Activity Funds	<u>\$ 14,666</u>	<u>\$ 120,454</u>	<u>\$ 117,741</u>	<u>\$ 17,379</u>

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS**

Modified Accrual Basis of Accounting					
	2015	2014	2013	2012	2011
Revenues:					
Local Sources:					
Local Tax	\$ 2,438,100	\$ 2,404,255	\$ 2,569,179	\$ 2,965,332	\$ 2,713,497
Tuition	422,687	396,477	199,613	210,447	439,843
Other	369,149	383,876	281,775	189,208	193,109
State Sources	1,603,809	1,670,637	1,812,756	1,863,322	1,753,775
Federal Sources	138,361	98,156	114,796	173,940	230,019
Total	\$ 4,972,106	\$ 4,953,401	\$ 4,978,119	\$ 5,402,249	\$ 5,330,243
Expenditures:					
Instruction:					
Regular Instruction	\$ 2,103,082	\$ 2,017,900	\$ 1,922,094	\$ 3,110,372	\$ 3,159,098
Special Instruction	683,648	512,347	439,795	-	-
Other Instruction	661,654	722,190	525,648	-	-
Support Services:					
Student Services	86,213	85,650	32,274	55,946	79,069
Instructional Staff Services	95,201	83,502	93,412	154,686	120,315
Administration Services	654,793	583,842	495,809	486,615	550,816
Operations and Maintenance	437,213	483,850	410,180	500,148	415,689
Transportation Services	293,583	437,468	220,269	264,279	247,752
Non-Instructional Programs	-	-	-	-	-
Other Expenditures:					
Facilities Acquisition	253,119	117,329	629,796	443,333	373,874
Long-term Debt:					
Principal	105,631	76,194	159,896	105,836	100,624
Interest and Other Charges	5,533	1,525	7,674	11,246	16,458
AEA Flowthrough	153,896	153,255	148,783	145,988	164,199
Total	\$ 5,533,566	\$ 5,275,052	\$ 5,085,630	\$ 5,278,449	\$ 5,227,894

SCHEDULE 4

2010	2009	2008	2007	2006
\$ 2,529,299	\$ 2,376,683	\$ 2,199,105	\$ 2,343,219	\$ 2,093,411
1,041,969	831,808	840,673	760,922	879,223
502,475	599,586	538,973	571,152	472,267
1,374,719	1,875,902	1,758,000	1,812,980	1,960,636
347,613	169,745	143,634	175,368	200,573
<u>\$ 5,796,075</u>	<u>\$ 5,853,724</u>	<u>\$ 5,480,385</u>	<u>\$ 5,663,641</u>	<u>\$ 5,606,110</u>
\$ 3,806,380	\$ 3,714,486	\$ 3,663,330	\$ 3,671,363	\$ 3,735,282
-	-	-	-	-
-	-	-	-	-
91,362	84,374	27,276	20,563	11,514
233,620	112,589	45,642	54,023	98,082
520,406	632,759	631,163	573,517	555,501
443,442	356,075	390,672	346,044	396,257
190,777	230,680	356,877	322,539	213,947
20,080	480	2,029	14,605	10,260
160,795	145,135	282,204	353,158	187,287
-	-	-	-	-
-	-	-	-	-
165,723	153,615	149,959	147,209	144,149
<u>\$ 5,632,585</u>	<u>\$ 5,430,193</u>	<u>\$ 5,549,152</u>	<u>\$ 5,503,021</u>	<u>\$ 5,352,279</u>



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

To the Board of Education of the
Graettinger-Terril Community School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of Graettinger-Terril Community School District, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 22, 2016.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings as item 2015-001 and 2015-002 to be material weaknesses in internal control over financial reporting.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings as item 2015-003 and 2015-004 to be significant deficiencies.

Compliance and Other Matters

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

Graettinger-Terril Community School District's Response to Findings

Graettinger-Terril Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Graettinger-Terril Community School District's responses, 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Williams & Company, P.C.
Certified Public Accountants

Spencer, Iowa
January 22, 2016

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015**

PART I – SUMMARY OF INDEPENDENT AUDITOR’S RESULTS

- (A) An unmodified opinion was issued on the financial statements.
- (B) Material weaknesses and significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (C) The audit did not disclose any non-compliance, which is material to the financial statements.

PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS

INSTANCES OF NON-COMPLIANCE: No matters were reported.

MATERIAL WEAKNESSES:

2015-001 Segregation of Duties

Criteria – The District is responsible for the establishment of adequate segregation of duties to help prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District’s financial statements.

Condition – The District has a small accounting staff and accordingly has not been able to achieve full segregation of duties over all accounting transactions. Employees who handle cash receipts are also involved with the posting of payments, making the bank deposits, and reconciling the bank statements. The same employee that is entering the payroll information is also processing the payroll. Also, the same employee that is a signor on checks has access to a signature stamp bearing the name of the second signor.

Effect – As a result of this condition, there is a higher risk that errors or irregularities could occur and not be detected within a timely period. Internal controls that are in place could be averted, overridden, or not consistently implemented.

Recommendation – We realize with a limited number of personnel, segregation of duties is difficult. However, the District should review the operating procedures for cash receipts and payroll and see if other employees could review or perform some of the tasks currently being performed by the same employee to obtain the maximum internal control possible under the circumstances.

Response – The District feels that additional personnel would not be cost effective. However, management and the school board will review procedures and investigate available alternatives.

Conclusion – Response accepted.

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015**

PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED)

2015-002 Financial Reporting

Criteria – The District is responsible for the accuracy and correct reporting of the financial statements.

Condition – During our audit, we identified material and immaterial amounts of cash, receivables, capital assets, prepaid expenses, advances from grantors, accounts payable, accrued wages, health insurance payable, other liabilities, fund balances, revenues and expenses not properly recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Effect – As a result of these misstatements, the financial statements were materially misstated prior to our adjustments.

Recommendation – The District should implement procedures to ensure all cash, receivables, capital assets, liabilities, and correct classification of revenues and expenses are identified and included in the District’s financial statements.

Response – The District will review these in the future to avoid missing any of these transactions.

Conclusion – Response accepted.

SIGNIFICANT DEFICIENCIES:

2015-003 Bank Reconciliations

Criteria – Monthly bank reconciliations should be prepared accurately and timely for District bank accounts.

Condition – During our audit, we noted that monthly bank reconciliations were not prepared timely throughout the year and the amounts reconciled were not accurate.

Effect – The cash account balance in the general ledger was not consistently and/or timely reconciled to the bank balance monthly.

Recommendation – The District should implement procedures to ensure all cash accounts are reconciled to the bank statement on a timely basis.

Response – The District will review their procedures to ensure all bank reconciliations are being prepared on a timely basis.

Conclusion – Response accepted.

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015**

PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED)

2015-004 Signature Stamp

Criteria – One element of the District’s internal control is to have two signatures on their checks.

Condition – During our audit, we noted that a stamp bearing the signature of the Board President is used to cosign checks. The stamp is under the care, custody, and control of the Business Manager.

Effect – This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation – We recommend that this practice cease. The Board may designate a person other than the Board President to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

Response – The District will discuss alternatives to change the access to the signature stamp to someone other than the Business Manager.

Conclusion – Response accepted.

PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

15-III-A: Certified Budget – Expenditures for the year ended June 30, 2015, exceeded the certified budget amounts in the Instruction and Non-Instructional Programs functions. The District did not exceed its unspent authorized budget.

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

Response – Future budgets will be amended for insufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

15-III-B: Questionable Disbursements – No expenditures that did not meet the requirement of public purpose as defined in an Attorney General’s opinion dated April 25, 1979, were noted.

15-III-C: Travel Expense – No expenditures of Graettinger-Terril Community School District were for travel expenses of spouses of District officials or employees.

15-III-D: Business Transactions – No business transactions between the District and District officials or employees were noted.

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015**

**PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING
(CONTINUED)**

15-III-E: Bond Coverage - Surety bond coverage of Graettinger-Terril Community School District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

15-III-F: Board Minutes – No transactions were found that we believe should have been approved by the Board minutes but were not. However, we found that the schedule of bills being published was not including appropriate detail as required by Chapter 279.35 of the Code of Iowa.

Recommendation – The District should include detail of the bills when publishing them in the paper on a monthly basis.

Response – The District was unaware of this and will be publishing more detail of the bills immediately.

Conclusion – Response accepted.

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

15-III-H: Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.

15-III-I: Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

15-III-J: Student Activity Fund: - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's education program. The Hoffman Scholarship and Library accounts reported in the Special Revenue, Student Activity Fund do not appear to be extracurricular or co-curricular in nature.

Recommendations – The District should review and reclassify these accounts to the appropriate fund.

Response – We have reviewed the activity in the accounts and will reclassify the accounts to the correct fund.

Conclusion – Response accepted.

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015**

**PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING
(CONTINUED)**

15-III-K: Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provision of 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 including adjustments identified during the fiscal year 2015 audit.

Beginning Balance		\$ 276,064
Statewide Sales and Services Tax Revenue	322,441	
Other	-	322,441
		598,505
Expenditures/Transfers Out:		
School Infrastructure:		
Administrative Services	196,186	
Operations & Maintenance	14,192	
Facilities Acquisition	209,021	419,399
		\$ 179,106
Ending Balance		<u><u>\$ 179,106</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.

15-III-L: Certified Annual Report – The Certified Annual Report was filed timely with the Department of Education.

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

15-III-N: Deficit Balances – The Nutrition Fund had a deficit balance at June 30, 2015.

Recommendation – The District should continue to investigate alternatives to eliminate this deficit.

Response – The District is aware of this situation and is working to reduce the deficit by June 30, 2016.

Conclusion – Response accepted.

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015**

**PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING
(CONTINUED)**

15-III-O: Transfers: - The District did not budget for their transfers or have them approved by the Board.

Recommendation – In the future, the District should budget for their transfers.

Response – The District will begin including transfers in their budget.

Conclusion – Response accepted.

15-III-P: Deficit Balances: – The Athletics, Drama, Class of 2015, and Yearbook/Annual activity fund accounts had deficit balances at June 30, 2015.

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

Response – The District is aware of this situation and will investigate ways to try to reduce the amount of deficit balances by June 30, 2016.

Conclusion – Response accepted.