

Grundy Center Community School District

**Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings**

June 30, 2014

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Independent Auditor's Report

To the Board of Education of
Grundy Center Community School District:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Grundy Center Community School District, Grundy Center, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I 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.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Grundy Center Community School District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 37 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

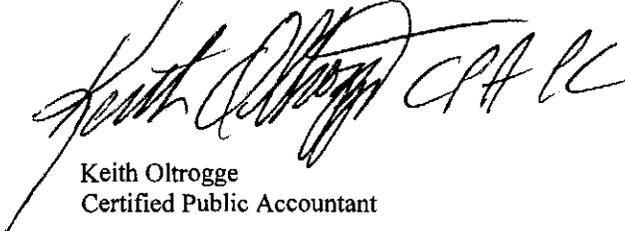
Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grundy Center Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013, (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated March 27, 2015 on my consideration of Grundy Center Community School District's internal control over financial reporting and on my 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 my 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 Grundy Center Community School District's internal control over financial reporting and compliance.



Keith Oltrogge
Certified Public Accountant

March 27, 2015

Grundy Center Community School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

Grundy Center Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,936,388 in fiscal 2013 to \$7,031,247 in fiscal 2014, and General Fund expenditures increased from \$6,597,864 in fiscal 2013 to \$6,841,835 in fiscal 2014. The District's General Fund balance increased from adjusted \$1,244,019 in fiscal 2013 to \$1,436,017 in fiscal 2014, a 15.4% increase.
- The increase in General Fund revenues was attributable to an increase in local tax and federal grant revenue in fiscal 2014. The increase in expenditures was due primarily to an increase in instruction and support service expenditures.
- An increase in the District's General Fund balance resulted in the District's solvency ratio increasing from 17.7% in fiscal 2013 to 20.3% in fiscal 2014. The District's solvency level indicates the District's ability to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Grundy Center 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 Grundy Center Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Grundy Center Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

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

Supplementary Information provides detailed information about the non-major governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

Figure A-1
Grundy Center Community School District Annual Financial Report

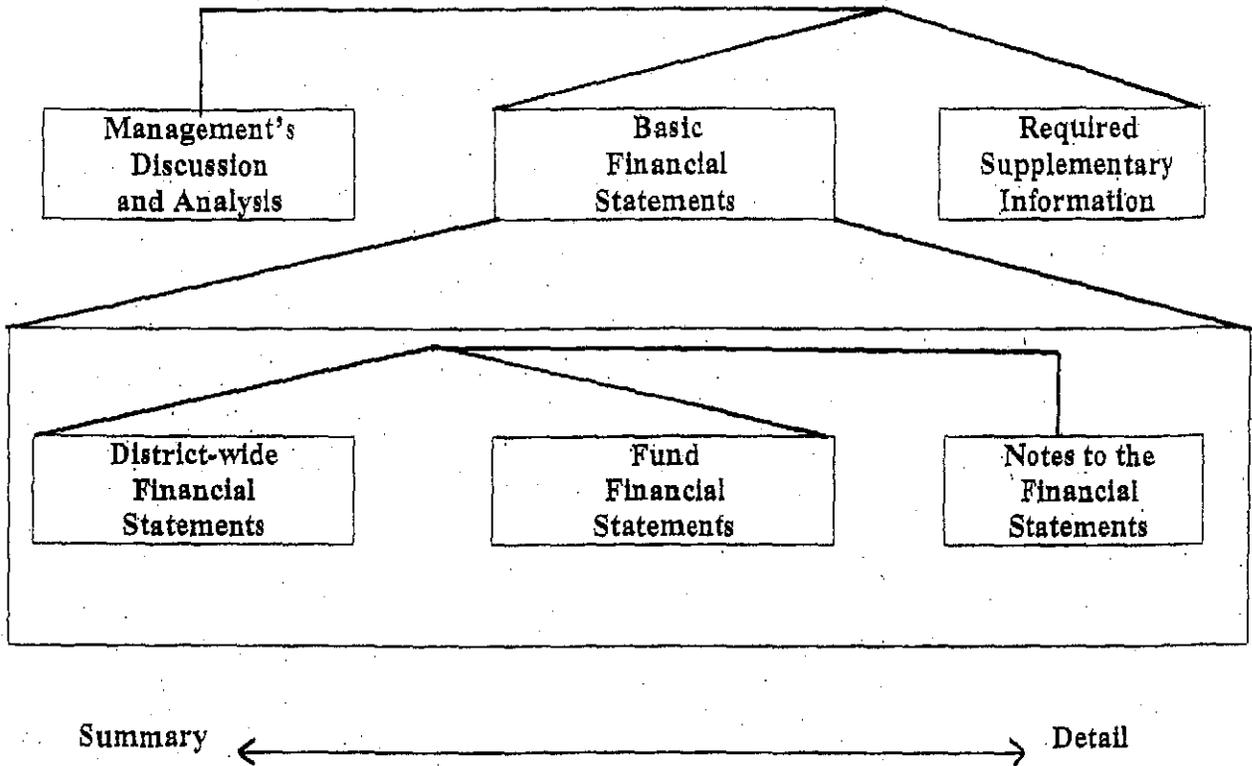


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net position Statement of activities	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 Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show 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, Capital Projects Fund and Debt Service Fund.

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

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

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

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in these funds.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

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

Reconciliation 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, 2014 compared to June 30, 2013.

**Figure A-3
Condensed Statement of Net Position**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$5,482,758	\$5,522,918	\$26,892	\$11,810	\$5,509,650	\$5,534,728	-0.5%
Capital assets	6,565,845	6,009,035	28,210	34,506	6,594,055	6,043,541	9.1%
Total assets	\$12,048,603	\$11,531,953	\$55,102	\$46,316	\$12,103,705	\$11,578,269	4.5%
Long-term liabilities	\$701,375	\$540,785	\$-	\$-	\$701,375	\$540,785	29.7%
Other liabilities	418,562	268,038	4,651	5,964	423,213	274,002	54.5%
Total liabilities	\$1,119,937	\$808,823	\$4,651	\$5,964	\$1,124,588	\$814,787	38.0%
Deferred inflows of resources	\$2,630,355	\$2,953,153	\$-	\$-	\$2,630,355	\$2,953,153	-10.9%
Net position:							
Net investment in capital assets	\$6,270,509	\$5,712,940	\$28,210	\$34,506	\$6,298,719	\$5,747,446	9.6%
Restricted	559,779	754,015	-	20,306	559,779	774,321	-27.7%
Unrestricted	1,468,023	1,303,022	22,241	-14,460	1,490,264	1,288,562	15.7%
Total net position	\$8,298,311	\$7,769,977	\$50,451	\$40,352	\$8,348,762	\$7,810,329	6.9%

The District’s combined net position increased 6.9%, or \$538,433, over the prior year. The largest portion of the District’s net position is in the “invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt”. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net position at June 30, 2014, decreased by approximately 27.7%, or \$214,542 over the prior year. The decrease was primarily a result of the \$157,971 less in Capital Projects – Physical Plant and Equipment restricted funds.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$201,702, or 15.7%. This reduction in unrestricted net position was primarily a result of the General fund expenditures exceeding revenue.

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

Figure A-4
Changes in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for service	\$873,367	\$716,676	\$217,370	\$196,584	\$1,090,737	\$913,260	19.4%
Operating grants, contributions and restricted interest	1,010,767	875,619	143,581	134,460	1,154,348	1,010,079	14.3%
Capital grants, contributions and restricted interest	284,449	39,326	-	-	284,449	39,326	623.3%
General revenues:							
Property tax	2,955,913	2,896,919	-	-	2,955,913	2,896,919	2.0%
Income surtax	333,178	253,035	-	-	333,178	253,035	31.7%
Statewide sales, service and use tax	560,312	350,270	-	-	560,312	350,270	60.0%
Unrestricted state grants	2,798,289	3,119,244	-	-	2,798,289	3,119,244	-10.3%
Unrestricted investment earnings	11,687	10,678	91	123	11,778	10,801	9.0%
Other	51,917	79,205	-	-	51,917	79,205	-34.5%
Total revenues	\$8,879,879	\$8,340,972	\$361,042	\$331,167	\$9,240,921	\$8,672,139	6.6%
Program expenses:							
Governmental activities:							
Instruction	\$5,450,141	\$5,108,225	\$-	\$-	\$5,450,141	\$5,108,225	6.7%
Support services	2,379,029	2,174,096	-	-	2,379,029	2,174,096	9.4%
Non-instructional programs	2,711	-6,162	350,943	332,471	353,654	326,309	8.4%
Other expenses	539,335	445,401	-	-	539,335	445,401	21.1%
Total expenses	\$8,371,216	\$7,721,560	\$350,943	\$332,471	\$8,722,159	\$8,054,031	8.3%
Change in net position before other financing sources	\$508,663	\$619,412	\$10,099	-\$1,304	\$518,762	\$618,108	-16.1%
Other financing sources	4,071	40,454	-	-	4,071	40,454	-90.0%
Change in net position	\$512,734	\$659,866	\$10,099	-\$1,304	\$522,833	\$658,562	-20.6%
Net position, beginning of year	\$7,769,977	\$7,110,267	\$40,352	\$41,656	\$7,810,329	\$7,151,923	9.2%
Prior period adjustment	15,600	-156	-	-	15,600	-156	100%
Adjusted net position, beginning of year	\$7,785,577	\$7,110,111	\$40,352	\$41,656	\$7,825,929	\$7,151,767	9.4%
Net position, end of year	\$8,298,311	\$7,769,977	\$50,451	\$40,352	\$8,348,762	\$7,810,329	6.9%

In fiscal year 2014, property tax and unrestricted state grants account for 62.3% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.9% of business type activities revenue.

The District's total revenues were approximately \$9.2 million, of which approximately \$8.9 million was for governmental activities and less than \$0.3 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.6% increase in revenues and an 8.3% increase in expenses. Property tax increased approximately \$58,994. The increase in expenses is related to an increase in instruction, support services and non-instructional expenses.

Governmental Activities

Revenues for governmental activities were \$9,240,921 and expenses were \$8,371,216. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District’s major governmental activities, instruction, support services, non-instructional programs and other expenses.

**Figure A-5
Total and Net Cost of Governmental Activities**

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-2014	2014	2013	Change 2013-2014
Instruction	\$5,450,141	\$5,108,225	6.7%	\$3,632,055	\$3,578,960	1.5%
Support services	2,379,029	2,174,096	9.4%	2,312,981	2,111,066	9.6%
Non-instructional programs	2,711	-6,162	44.0%	2,711	-6,162	44.0%
Other expenses	539,335	445,401	21.1%	254,886	406,075	-37.2%
Totals	\$8,371,216	\$7,721,560	8.4%	\$6,202,633	\$6,089,939	1.9%

For the year ended June 30, 2014:

- The cost financed by users of the District’s programs was \$1,090,737.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,154,348.
- The net cost of governmental activities was financed with \$3,549,403 in property and other taxes and \$2,798,289 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$361,042 and expenses were \$350,943. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Grundy Center 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 \$8,298,311 above last year’s ending adjusted fund balance of \$7,769,977. The primary reason for the increase in combined fund balances in fiscal 2014 is due to revenue exceeding expenditures for the year.

Governmental Fund Highlights

- The General Fund balance increased from \$1,244,019 to \$1,436,017, due primarily to the increase in local and federal sources.
- The Capital Projects Fund balance decreased from \$589,915 in fiscal 2013 to \$431,944 in fiscal 2014, due to an increase in expenditures for the safe room project.

Proprietary Fund Highlights

- School Nutrition Fund net position increased from \$40,352 at June 30, 2013 to \$50,451 at June 30, 2014, representing an increase of approximately 25.0%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Grundy Center Community School District amended its budget one time to reflect additional expenditures.

The District’s receipts were \$574,694 more than budgeted receipts, a variance of 6.7%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

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

In spite of the District’s budgeting practice, the certified budget was exceeded in the support services functional area due to the timing of expenditures at year end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$6.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 9.1% from last year. More detailed information about the District’s capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$477,445.

The original cost of the District’s capital assets was \$15 million. Governmental funds account for \$14.9 million, with the remainder of \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in process category. The District’s construction in process total \$680,159 at June 30, 2014 for the safe room project

**Figure A-6
Capital Assets, net of Depreciation**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$21,252	\$21,252	\$-	\$-	\$21,252	\$21,252	-
Construction in process	680,159	-	-	-	680,159	-	100%
Buildings	4,048,708	4,145,551	-	-	4,048,708	4,145,551	-2.3%
Improvements other than buildings	292,328	227,107	-	-	292,328	227,107	28.7%
Furniture and equipment	1,523,398	1,615,125	28,210	34,506	1,551,608	1,649,631	-5.9%
Totals	\$6,565,845	\$6,009,035	\$28,210	\$34,506	\$6,594,055	\$6,043,541	9.1%

Long-Term Debt

At June 30, 2014, the District had \$295,336 in general obligation bonds, notes payable and other long-term debt outstanding. This represents a decrease of approximately 0.3% from last year. (See Figure A-7) Additional information about the District’s long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District’s debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5% of the assessed value of all taxable property within the District. The District’s outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$16.6 million.

**Figure A-7
Outstanding Long-term Obligations**

	Total District		Total Change
	June 30,		June 30,
	2014	2013	2013-2014
Revenue bonds	\$110,000	\$215,000	-48.8%
Capital leases	185,336	81,095	128.5%
Totals	\$295,336	\$296,095	-0.3%

Revenue bonds
Capital leases
Totals

ECONOMIC FACTORS BEARING ON THE DISTRICT’S FUTURE

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

- The District has experienced a decline in enrollment for since 2013.
- The District is making significant budget reductions for the 2015-16 school year due primarily from a decrease in enrollment and a lack of adequate funding from the state.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide the District’s citizens, taxpayers, customers, investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Chad Wagner, District Treasurer and Business Manager, Grundy Center Community School District, 1301-12th Street, Grundy Center IA 50638.

Basic Financial Statements

Grundy Center Community School District

Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, Cash Equivalents and Pooled Investments	\$ 1,941,851	\$ 23,058	\$ 1,964,909
Receivables:			
Property tax:			
Delinquent	47,450	-	47,450
Succeeding year	2,630,355	-	2,630,355
Income surtax	255,488	-	255,488
Accounts	67,892	1,301	69,193
Prepaid OPEB	19,813	-	19,813
Due from other governments	519,909	-	519,909
Inventories	-	2,533	2,533
Capital assets, net of accumulated depreciation	6,565,845	28,210	6,594,055
Total Assets	\$ 12,048,603	\$ 55,102	\$ 12,103,705
Liabilities			
Excess of warrants issued over bank balance	\$ 38,922	\$ -	\$ 38,922
Accounts payable	220,045	-	220,045
Salaries and benefits payable	152,117	139	152,256
Accrued interest payable	7,478	-	7,478
Unearned revenue	-	4,512	4,512
Long-term liabilities:			
Portion due within one year:			
Revenue bonds	110,000	-	110,000
Capital leases	91,406	-	91,406
Early retirement	84,683	-	84,683
Portion due after one year:			
Early retirement	321,356	-	321,356
Capital leases	93,930	-	93,930
Total Liabilities	\$ 1,119,937	\$ 4,651	\$ 1,124,588
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 2,630,355	\$ -	\$ 2,630,355
Net Position			
Net investment in capital assets	\$ 6,270,509	\$ 28,210	\$ 6,298,719
Restricted for:			
Categorical funding	45,057	-	45,057
Capital projects – Statewide Sales, Services and Use Tax	413,046	-	413,046
Capital projects – Physical Plant and Equipment	18,898	-	18,898
Student activities	82,778	-	82,778
Unrestricted	1,468,023	22,241	1,490,264
Total Net Position	\$ 8,298,311	\$ 50,451	\$ 8,348,762

See notes to financial statements.

Grundy Center Community School District

Statement of Activities

Year Ended June 30, 2014

	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<u>Functions/Programs</u>				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 3,593,041	\$ 410,382	\$ 835,210	\$ -
Special instruction	740,065	45,754	95,204	-
Other instruction	1,117,035	357,221	74,315	-
	<u>\$ 5,450,141</u>	<u>\$ 813,357</u>	<u>\$ 1,004,729</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 177,338	\$ -	\$ 3,702	\$ -
Instructional staff services	423,748	-	-	-
Administration services	847,388	4,790	-	-
Operation and maintenance of plant services	636,692	13,984	-	-
Transportation services	293,863	41,236	2,336	-
	<u>\$ 2,379,029</u>	<u>\$ 60,010</u>	<u>\$ 6,038</u>	<u>\$ -</u>
Non-instructional programs	\$ 2,711	\$ -	\$ -	\$ -
Other Expenditures:				
Facilities acquisition	\$ 262,465	\$ -	\$ -	\$ 284,449
Long-term debt interest	12,404	-	-	-
AEA flow-through	264,466	-	-	-
	<u>\$ 539,335</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 284,449</u>
Total Governmental Activities	<u>\$ 8,371,216</u>	<u>\$ 873,367</u>	<u>\$ 1,010,767</u>	<u>\$ 284,449</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 350,943	\$ 217,370	\$ 143,581	\$ -
Total	<u>\$ 8,722,159</u>	<u>\$ 1,090,737</u>	<u>\$ 1,154,348</u>	<u>\$ 284,449</u>

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ -2,347,449	\$ -	\$ -2,347,449
-599,107	-	-599,107
-685,499	-	-685,499
<u>\$ -3,632,055</u>	<u>\$ -</u>	<u>\$ -3,632,055</u>
\$ -173,636	\$ -	\$ -173,636
-423,748	-	-423,748
-842,598	-	-842,598
-622,708	-	-622,708
-250,291	-	-250,291
<u>\$ -2,312,981</u>	<u>\$ -</u>	<u>\$ -2,312,981</u>
<u>\$ -2,711</u>	<u>\$ -</u>	<u>\$ -2,711</u>
\$ 21,984	\$ -	\$ 21,984
-12,404	-	-12,404
-264,466	-	-264,466
<u>\$ -254,886</u>	<u>\$ -</u>	<u>\$ -254,886</u>
<u>\$ -6,202,633</u>	<u>\$ -</u>	<u>\$ -6,202,633</u>
<u>\$ -</u>	<u>\$ 10,008</u>	<u>\$ 10,008</u>
<u>\$ -6,202,633</u>	<u>\$ 10,008</u>	<u>\$ -6,192,625</u>

Grundy Center Community School District

Statement of Activities

Year Ended June 30, 2014

	<u>Program Revenues</u>		
	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<u>Expenses</u>			
General Revenues:			
Property Tax Levied For:			
General purposes			
Capital outlay			
Income surtax			
Statewide sales, services and use tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total General Revenues			
Change in net position before other financing sources			
Sale of assets			
Change in net position			
Net position beginning of year			
Prior period adjustment			
Adjusted net position beginning of year			
Net Position End of Year			

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities		Business Type Activities	Total
\$ 2,619,468	\$ -	\$ 2,619,468	
336,445	-	336,445	
333,178	-	333,178	
560,312	-	560,312	
2,798,289	-	2,798,289	
11,687	91	11,778	
51,917	-	51,917	
<u>\$ 6,711,296</u>	<u>\$ 91</u>	<u>\$ 6,711,387</u>	
\$ 508,663	\$ 10,099	\$ 518,762	
4,071	-	4,071	
<u>\$ 512,734</u>	<u>\$ 10,099</u>	<u>\$ 522,833</u>	
\$ 7,769,977	\$ 40,352	\$ 7,810,329	
15,600	-	15,600	
<u>\$ 7,785,577</u>	<u>\$ 40,352</u>	<u>\$ 7,825,929</u>	
<u>\$ 8,298,311</u>	<u>\$ 50,451</u>	<u>\$ 8,348,762</u>	

Grundy Center Community School District

Balance Sheet
Governmental Funds

June 30, 2014

Assets	General	Capital Projects	Non-Major	Total
Cash, cash equivalents and pooled investments	\$ 1,469,838	\$ 134,394	\$ 337,619	\$ 1,941,851
Receivables:				
Property Tax:				
Delinquent	37,190	5,902	4,358	47,450
Succeeding year	2,036,420	343,935	250,000	2,630,355
Income surtax	255,488	-	-	255,488
Accounts	67,892	-	-	67,892
Due from other governments	44,562	475,347	-	519,909
Total assets	\$ 3,911,390	\$ 959,578	\$ 591,977	\$ 5,462,945
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Excess warrants issued over bank balance	\$ -	\$ 38,922	\$ -	\$ 38,922
Accounts payable	71,926	144,777	3,342	220,045
Salaries and benefits payable	111,539	-	40,578	152,117
Total liabilities	\$ 183,465	\$ 183,699	\$ 43,920	\$ 411,084
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	\$ 2,036,420	\$ 343,935	\$ 250,000	\$ 2,630,355
Other	255,488	-	-	255,488
Total deferred inflows of resources	\$ 2,291,908	\$ 343,935	\$ 250,000	\$ 2,885,843
Fund Balances:				
Restricted for:				
Categorical funding	\$ 45,057	\$ -	\$ -	\$ 45,057
Management levy purposes	-	-	215,279	215,279
Student activities	-	-	82,778	82,778
School infrastructure	-	413,046	-	413,046
Capital Projects – Physical plant and equipment	-	18,898	-	18,898
Unrestricted	1,390,960	-	-	1,390,960
Total fund balances	\$ 1,436,017	\$ 431,944	\$ 298,057	\$ 2,166,018
Total liabilities, deferred inflows of resources and fund balances	\$ 3,911,390	\$ 959,578	\$ 591,977	\$ 5,462,945

See notes to financial statements.

Grundy Center Community School District

**Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Position**

June 30, 2014

Total fund balances of governmental funds (page 16)	\$ 2,166,018
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	6,565,845
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred inflows of resources in the governmental funds.	275,301
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds	-7,478
Long-term liabilities, including bonds and notes payable, compensated absences payable, and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds	<u>-701,375</u>
Net position of governmental activities (page 13)	<u>\$ 8,298,311</u>

Grundy Center Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2014

	General	Capital Projects	Non-Major	Total
Revenues:				
Local Sources:				
Local tax	\$ 2,644,369	\$ 896,757	\$ 275,256	\$ 3,816,382
Tuition	356,518	-	-	356,518
Other	221,621	4,382	354,451	580,454
Intermediate sources				
State sources	3,631,827	33,614	147	3,665,588
Federal sources	176,912	251,004	-	427,916
Total Revenues	\$ 7,031,247	\$ 1,185,757	\$ 629,854	\$ 8,846,858
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,913,948	\$ 280,740	\$ 173,130	\$ 3,367,818
Special instruction	737,569	-	-	737,569
Other instruction	731,626	-	365,891	1,097,517
	\$ 4,383,143	\$ 280,740	\$ 539,021	\$ 5,202,904
Support Services:				
Student services	\$ 176,227	\$ 370	\$ 741	\$ 177,338
Instructional staff services	394,481	115,828	-	510,309
Administration services	812,742	15,302	1,757	829,801
Operation and maintenance of plant services	559,361	52,169	24,605	636,135
Transportation services	251,415	87,905	12,495	351,815
	\$ 2,194,226	\$ 271,574	\$ 39,598	\$ 2,505,398
Non-instructional programs	\$ -	\$ -	\$ 2,711	\$ 2,711
Other Expenditures:				
Facilities acquisition	\$ -	\$ 796,565	\$ -	\$ 796,565
Long-Term Debt:				
Principal	-	-	281,499	281,499
Interest and fiscal charges	-	-	9,690	9,690
AEA flow-through	264,466	-	-	264,466
	\$ 264,466	\$ 796,565	\$ 291,189	\$ 1,352,220
Total Expenditures	\$ 6,841,835	\$ 1,348,879	\$ 872,519	\$ 9,063,233
Excess (deficiency) of revenues over (under) expenditures	\$ 189,412	\$ -163,122	\$ -242,665	\$ -216,375

Grundy Center Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2014

	General	Capital Projects	Non-Major	Total
Other Financing Sources (Uses):				
Sale of assets	\$ 4,071	\$ -	\$ -	\$ 4,071
Capital lease proceeds	-	280,740	-	280,740
Transfers in	-	-	277,074	277,074
Transfers out	-1,485	-275,589	-	-277,074
Total other financing sources (uses)	\$ 2,586	\$ 5,151	\$ 277,074	\$ 284,811
Net change in fund balances	\$ 191,998	\$ -157,971	\$ 34,409	\$ 68,436
Fund balances beginning of year	\$ 1,244,019	\$ 589,915	\$ 248,048	\$ 2,081,982
Prior period adjustment	-	-	15,600	15,600
Adjusted fund balances beginning of year	\$ 1,244,019	\$ 589,915	\$ 263,648	\$ 2,097,582
Fund balances end of year	\$ 1,436,017	\$ 431,944	\$ 298,057	\$ 2,166,018

Grundy Center Community School District

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
To the Statement of Activities**

Year Ended June 30, 2014

Net change in fund balances – total governmental funds (page 19) \$ 68,436

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

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

Expenditures for capital assets	\$ 1,027,959	
Depreciation expense	<u>-471,149</u>	556,810

Income surtax revenue not received until several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.		33,021
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments exceeded issuances, as follows:

Issuance	\$ -280,740	
Repaid	<u>281,499</u>	759

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		-2,714
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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	\$ -161,349	
Other postemployment benefits	<u>17,771</u>	-143,578

Change in Net Position of Governmental Activities (page 15)		<u>\$ 512,734</u>
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Grundy Center Community School District

Statement of Net Position
Proprietary Funds

June 30, 2014

	School Nutrition
Assets	
Current Assets:	
Cash and cash equivalents	\$ 23,058
Accounts receivable	1,301
Inventories	2,533
Total current assets	<u>\$ 26,892</u>
Non-Current Assets:	
Capital assets, net of accumulated depreciation	\$ 28,210
Total non-current assets	<u>\$ 28,210</u>
Total Assets	<u>\$ 55,102</u>
Liabilities	
Current Liabilities	
Salaries and benefits payable	\$ 139
Unearned revenue	4,512
Total current liabilities	<u>\$ 4,651</u>
Total Liabilities	<u>\$ 4,651</u>
Net Position	
Net investment in capital assets	\$ 28,210
Unrestricted	22,241
Total Net Position	<u>\$ 50,451</u>

See notes to financial statements.

Grundy Center Community School District

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

Year Ended June 30, 2014

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	<u>\$ 217,370</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 96,724
Benefits	49,312
Purchased services	2,248
Supplies	194,495
Depreciation	6,296
Other	1,868
Total operating expenses	<u>\$ 350,943</u>
Operating loss	<u>\$ -133,573</u>
Non-operating revenues:	
State sources	\$ 2,849
Federal sources	140,732
Interest income	91
Total non-operating revenues	<u>\$ 143,672</u>
Changes in net position	\$ 10,099
Net position beginning of year	<u>40,352</u>
Net Position End of Year	<u>\$ 50,451</u>

Grundy Center Community School District

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2014

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 215,469
Cash paid to employees for services	-145,897
Cash paid to suppliers for goods or services	-180,002
Net cash used by operating activities	<u>\$ -110,430</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 2,849
Federal grants received	121,361
Net cash provided by non-capital financing activities	<u>\$ 124,210</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 91</u>
Net increase in cash and cash equivalents	\$ 13,871
Cash and cash equivalents beginning of year	<u>9,187</u>
Cash and Cash Equivalents End of Year	<u>\$ 23,058</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -133,573
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	19,830
Depreciation	6,296
(Increase) in inventories	-892
(Increase) in accounts receivable	-778
(Decrease) in accounts payable	-329
(Decrease) in unearned revenue	-1,123
Increase in salaries and benefits payable	139
Net Cash Used by Operating Activities	<u>\$ -110,430</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$19,830 of federal commodities.

Grundy Center Community School District

Statement of Fiduciary Net Position
Fiduciary Funds

Year Ended June 30, 2014

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash, cash equivalents and pooled investments	\$ 538	\$ 2,814
Liabilities		
Accounts payable	\$ -	\$ 2,814
Net position		
Reserved for scholarships	\$ 538	\$ -

Grundy Center Community School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
Year Ended June 30, 2014

	<div style="text-align: center;">Private Purpose Trust</div> <hr/> <div style="text-align: center;">Scholarship</div> <hr/>
Additions: Local sources: Gifts and contributions	<hr/> \$ -
Deductions: Support services: Services	<hr/> \$ -
Change in net position	<hr/> \$ -
Net position beginning of year	<hr/> 538
Net Position, End of Year	<hr/> \$ 538

Grundy Center Community School District

Notes to the Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

Jointly Governed Organization – 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 County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

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 non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary fund:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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.

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

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

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

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

Cash, Cash Equivalents and Pooled Investments – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

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

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

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

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

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

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

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

Asset Class	Amount
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 over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

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

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.

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

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

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

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

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures in the support services function exceeded the amount budgeted.

(2) **Cash, Cash Equivalents and Pooled Investments**

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; 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.

(3) **Inter-fund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects – Physical Plant and Equipment Levy	\$ 13,650
Debt Service	Capital Projects – Statewide Sales, Services and Use Tax	261,939
Special Revenue – Student Activity	General	1,485
		<u>\$ 277,074</u>

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

(4) **Capital Assets**

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

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 21,252	\$ -	\$ -	\$ 21,252
Construction in process	-	680,159	-	680,159
Total capital assets not being depreciated	\$ 21,252	\$ 680,159	\$ -	\$ 701,411
Capital assets being depreciated:				
Buildings	\$ 7,984,615	\$ 63,795	\$ -	\$ 8,048,410
Improvements other than buildings	542,094	87,205	-	629,299
Furniture and equipment	5,337,260	196,800	-	5,534,060
Total capital assets being depreciated	\$ 13,863,969	\$ 347,800	\$ -	\$ 14,211,769
Less accumulated depreciation for:				
Buildings	\$ 3,839,064	\$ 160,638	\$ -	\$ 3,999,702
Improvements other than buildings	314,987	21,984	-	336,971
Furniture and equipment	3,722,135	288,527	-	4,010,662
Total accumulated depreciation/amortization	\$ 7,876,186	\$ 471,149	\$ -	\$ 8,347,335
Total capital assets being depreciated/amortized, net	\$ 5,987,783	\$ -123,349	\$ -	\$ 5,864,434
Governmental Activities Capital Assets, Net	\$ 6,009,035	\$ 556,810	\$ -	\$ 6,565,845
	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 89,859	\$ -	\$ 16,786	\$ 73,073
Less accumulated depreciation	55,353	6,296	16,786	44,863
Business Type Activities Capital Assets, Net	\$ 34,506	\$ 6,296	\$ -	\$ 28,210
Depreciation expense was charged to the following functions:				
Governmental Activities:				
Instruction:				
Regular				\$ 362,385
Special				2,496
Other				19,518
Support services:				
Instructional support				4,467
Administration				17,587
Operation and maintenance of plant				21,441
Transportation				43,255
Total Depreciation Expense – Governmental Activities				\$ 471,149
Business Type Activities:				
Food service operations				\$ 6,296

(5) Long-term Liabilities

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

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Revenue bonds	\$ 215,000	\$ -	\$ 105,000	\$ 110,000	\$ 110,000
Capital leases	81,095	280,740	176,499	185,336	91,406
Notes payable	-	-	-	-	-
Early retirement	244,690	291,924	130,575	406,039	84,683
Net OPEB liability	-2,042	-	17,771	-19,813	-
Total	\$ 538,743	\$ 572,664	\$ 429,845	\$ 681,562	\$ 286,089

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five. Employees must complete an application, which is subject to approval by the Board of Education. Early retirement incentives are a cash payment equal to the employee's current salary minus the current base. Early retirement expenditures for the year ended June 30, 2014 totaled \$176,499.

Prior Year Debt Defeasance

In prior years, the District has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investment and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes the debt has been considered defeased and therefore removed as a liability from the District's Long-Term Debt. As of June 30, 2014, the amount of defeased debt outstanding but removed from the Long-Term Debt amounted to \$1,875,000.

Capital Leases

The District has leased a copier and laptop computers, which are being accounted for as capital leases. The following is a schedule of future lease payments under the capital leases, as of June 30, 2014.

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Copier	\$ 29,250	\$ -	\$ 29,250	\$ -	\$ -
Computers	51,845	280,740	147,249	185,336	91,406
Total	\$ 81,095	\$ 280,740	\$ 176,499	\$ 185,336	\$ 91,406

During the year ended June 30, 2014 the District made principal and interest payments totaling \$178,604 under the agreements.

Revenue Bond Payable

Details of the District's June 30, 2014 revenue bond indebtedness are as follow:

Year Ended June 30,	Revenue Bond Issued August 4, 2004			
	Interest Rates	Principal	Interest	Total
2015	4.70%	\$ 110,000	\$ 2,585	\$ 112,585
Total		\$ 110,000	\$ 2,585	\$ 112,585

During the year ended June 30, 2014, the District made principal and interest payments totaling \$112,585 under the agreement.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.73% of annual covered payroll for the years ended June 30, 2014, 2013 and 2012. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$382,548, \$333,261 and \$311,139, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 73 active and 15 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$	50,113	
Interest on net OPEB obligation		-92	
Adjustment to annual required contribution		-	
Annual OPEB cost	\$	50,021	
Contributions made		-67,792	
Increase in net OPEB obligation	\$	-17,771	
Net OPEB obligation beginning of year		-2,042	*
Net OPEB obligation end of year	\$	-19,813	*

*Prepaid

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$575,525 to the medical plan. Plan members eligible for benefits contributed \$19,249, or 3.2% of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$160,000	83.13%	\$27,000
June 30, 2011	\$160,000	75.00%	\$66,987
June 30, 2012	\$160,000	80.63%	\$97,953
June 30, 2013	\$50,113	300.00%	-\$2,042
June 30, 2014	\$50,113	135.28%	-\$19,813

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$369,739, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$369,739. The covered payroll (annual payroll of active employees covered by the plan) was \$3,879,472 and the ratio of the UAAL to covered payroll was 9.5%. As of June 30, 2014, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 7%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$618.69 per month for retirees less than age 65 and \$618.69 per month for retirees who have attained age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

Grundy Center 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.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$264,466 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

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

Program	Amount
Home School Assistance	\$ 3,707
Dropout Prevention	34,726
Mentoring	1,272
Teacher quality	447
Teacher Leadership	4,905
Total	\$ 45,057

(11) Subsequent Events

The District has evaluated subsequent events through March 27, 2015 which is the date that the financial statement were available to be issued.

(12) Prior Period Adjustments

The Debt Service had a \$15,600 prior period adjustment for the copier/printer lease.

(13) Construction Commitments

The District entered into contracts totaling \$1,295,295 for the construction of a safe room. As of June 30, 2014, costs of \$661,360 had been incurred against the contracts. The balance of \$633,935 remaining at June 30, 2014 will be paid as work on the projects progress. The District also started a Middle/High School science room remodel with an estimated cost of \$55,000, with \$18,799 expended at June 30, 2014.

(14) Prospective Accounting Change

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

Required Supplementary Information

Grundy Center Community School District

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

Required Supplementary Information

Year Ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local sources	\$ 4,753,354	\$ 217,461
Intermediate sources	-	-
State sources	3,665,588	2,849
Federal sources	427,916	140,732
Total Receipts	<u>\$ 8,846,858</u>	<u>\$ 361,042</u>
Disbursements:		
Instruction	\$ 5,202,904	\$ -
Support services	2,505,398	-
Non-instructional programs	2,711	350,943
Other expenditures	1,352,220	-
Total Disbursements	<u>\$ 9,063,233</u>	<u>\$ 350,943</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	\$ -216,375	\$ 10,099
Other financing sources, net	<u>284,811</u>	<u>-</u>
Excess (deficiency) of revenue and other financing sources over (under) expenditures/expenses and other financing uses	<u>\$ 68,436</u>	<u>\$ 10,099</u>
Balances beginning of year	\$ 2,081,982	\$ 40,352
Prior period adjustment	15,600	-
Adjusted balances beginning of year	<u>\$ 2,097,582</u>	<u>\$ 40,352</u>
Balances End of Year	<u>\$ 2,166,018</u>	<u>\$ 50,451</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amount		Final to Actual Variance
		Original	Final	
\$	4,970,815	\$ 4,835,936	\$ 4,835,936	\$ 134,879
	-	120	120	-120
	3,668,437	3,567,907	3,567,907	100,530
	568,648	229,243	229,243	339,405
\$	9,207,900	\$ 8,633,206	\$ 8,633,206	\$ 574,694
<hr/>				
\$	5,202,904	\$ 5,200,000	\$ 5,500,000	\$ 297,096
	2,505,398	2,348,400	2,500,000	-5,398
	353,654	365,000	365,000	11,346
	1,352,220	1,199,736	2,000,000	647,780
\$	9,414,176	\$ 9,113,136	\$ 10,365,000	\$ 950,824
<hr/>				
\$	-206,276	\$ -479,930	\$ -1,731,794	\$ 1,525,518
	284,811	-	-	284,811
<hr/>				
\$	78,535	\$ -479,930	\$ -1,731,794	\$ 1,810,329
<hr/>				
\$	2,122,334	\$ 1,040,431	\$ 1,040,431	\$ 1,081,903
	15,600	-	-	15,600
<hr/>				
\$	2,137,934	\$ 1,040,431	\$ 1,040,431	\$ 1,097,503
<hr/>				
\$	2,216,469	\$ 560,501	\$ -691,363	\$ 2,907,832

Grundy Center Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary 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 one budget amendment, increasing budgeted expenditures by \$1,251,864.

During the year ended June 30, 2014, expenditures in the support services program function exceeded the amount budgeted.

Grundy Center Community School District

**Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)**

Required Supplementary Information

June 30, 2014

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$-	\$1,457	\$1,457	-	\$3,153	46.2%
2011	July 1, 2009	\$-	\$1,457	\$1,457	-	\$3,425	42.5%
2012	July 1, 2009	\$-	\$1,457	\$1,457	-	\$3,528	41.3%
2013	July 1, 2012	\$-	\$370	\$370	-	\$3,388	10.9%
2014	July 1, 2012	\$-	\$370	\$370	-	\$3,879	9.5%

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.

Supplementary Information

Grundy Center Community School District

Combining Balance Sheet
Non-Major Governmental Funds

June 30, 2014

	Special Revenue		
	Management	Student Activity	Total
Assets			
Cash and pooled investments	\$ 250,579	\$ 87,040	\$ 337,619
Receivables:			
Property Tax:			
Delinquent	4,358	-	4,358
Succeeding year	250,000	-	250,000
Total Assets	\$ 504,937	\$ 87,040	\$ 591,977
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 3,342	\$ 3,342
Salaries and benefits payable	39,658	920	40,578
Total liabilities	\$ 39,658	\$ 4,262	\$ 43,920
Deferred inflows of resources:			
Succeeding year property tax	\$ 250,000	\$ -	\$ 250,000
Total deferred inflows of resources	\$ 250,000	\$ -	\$ 250,000
Fund Balances:			
Restricted for:			
Management levy purposes	\$ 215,279	\$ -	\$ 215,279
Student activities	-	82,778	82,778
Total fund balances	\$ 215,279	\$ 82,778	\$ 298,057
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 504,937	\$ 87,040	\$ 591,977

Grundy Center Community School District

**Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds**

Year Ended June 30, 2014

	Special Revenue			
	Debt Service	Management	Student Activity	Total
Revenues:				
Local Sources:				
Local tax	\$ -	\$ 275,256	\$ -	\$ 275,256
Other	-	11,895	342,556	354,451
State sources	-	147	-	147
Total Revenues	<u>\$ -</u>	<u>\$ 287,298</u>	<u>\$ 342,556</u>	<u>\$ 629,854</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ -	\$ 173,130	\$ -	\$ 173,130
Other instruction	-	-	365,891	365,891
Support Services:				
Student services	-	741	-	741
Administration services	-	1,757	-	1,757
Operation and maintenance of plant services	-	24,605	-	24,605
Transportation services	-	12,495	-	12,495
Non-instructional programs	-	2,711	-	2,711
Other Expenditures:				
Long-term debt:				
Principal	281,499	-	-	281,499
Interest and fiscal charges	9,690	-	-	9,690
Total Expenditures	<u>\$ 291,189</u>	<u>\$ 215,439</u>	<u>\$ 365,891</u>	<u>\$ 872,519</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -291,189	\$ 71,859	\$ -23,335	\$ -242,665
Other financing sources (uses):				
Transfer in		275,589	-	1,485
Excess (deficiency) of revenue and other financing sources over (under) expenditures	<u>\$ -15,600</u>	<u>\$ 71,859</u>	<u>\$ -21,850</u>	<u>\$ 34,409</u>
Fund balances beginning of year	\$ -	\$ 143,420	\$ 104,628	\$ 248,048
Prior period adjustment	15,600	-	-	15,600
Adjusted fund balances beginning of year	<u>\$ 15,600</u>	<u>\$ 143,420</u>	<u>\$ 104,628</u>	<u>\$ 263,648</u>
Fund Balances End of Year	<u>\$ -</u>	<u>\$ 215,279</u>	<u>\$ 82,778</u>	<u>\$ 298,057</u>

See accompanying independent auditor's report.

Grundy Center Community School District

Combining Balance Sheet
Capital Project Accounts

June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 134,394	\$ -	\$ 134,394
Receivables:			
Accounts	-	-	-
Property Tax:			
Delinquent	-	5,902	5,902
Succeeding year	-	343,935	343,935
Due from other governments	293,954	181,393	475,347
Total assets	\$ 428,348	\$ 531,230	\$ 959,578
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Excess of warrants issued over bank balance	\$ -	\$ 38,922	\$ 38,922
Accounts payable	15,302	129,475	144,777
Total liabilities	\$ 15,302	\$ 168,397	\$ 183,699
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	\$ -	\$ 343,935	\$ 343,935
Total deferred inflows of resources	\$ -	\$ 343,935	\$ 343,935
Fund Balances:			
Restricted for:			
School infrastructure	\$ 413,046	\$ -	\$ 413,046
Physical plant and equipment	-	18,898	18,898
Total fund balances	\$ 413,046	\$ 18,898	\$ 431,944
Total liabilities, deferred inflows of resources and fund balances	\$ 428,348	\$ 531,230	\$ 959,578

See accompanying independent auditor's report.

Grundy Center Community School District

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

Year Ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local Sources:			
Local tax	\$ 560,312	\$ 336,445	\$ 896,757
Other	3,681	701	4,382
State sources	-	33,614	33,614
Federal sources	-	251,004	251,004
Total Revenues	<u>\$ 563,993</u>	<u>\$ 621,764</u>	<u>\$ 1,185,757</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 280,740	\$ -	\$ 280,740
Support services:			
Student services	370	-	370
Instructional staff services	28,878	86,950	115,828
Administration services	-	15,302	15,302
Operation and maintenance of plant services	42,169	10,000	52,169
Transportation services	87,905	-	87,905
Other Expenditures:			
Facilities acquisition	129,766	666,799	796,565
Total Expenditures	<u>\$ 569,828</u>	<u>\$ 779,051</u>	<u>\$ 1,348,879</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -5,835</u>	<u>\$ -157,287</u>	<u>\$ -163,122</u>
Other Financing Sources (Uses):			
Capital lease proceeds	\$ 280,740	\$ -	\$ 280,740
Operating transfers out	-261,939	-13,650	-275,589
Total other financing sources (uses)	<u>\$ 18,801</u>	<u>\$ -13,650</u>	<u>\$ 5,151</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 12,966</u>	<u>\$ -170,937</u>	<u>\$ -157,971</u>
Fund balances beginning of year	<u>400,080</u>	<u>\$ 189,835</u>	<u>589,915</u>
Fund Balances End of Year	<u>\$ 413,046</u>	<u>\$ 18,898</u>	<u>\$ 431,944</u>

See accompanying independent auditor's report.

Grundy Center Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2014

Account	Balance Beginning Of Year	Revenues	Expenditures	Transfers	Balance End of Year
Student activity ticket sales	\$ 15,342	\$ 11,928	\$ 10,004	\$ -17,195	\$ 71
Class of 2011	75	49	-	-124	-
Class of 2012	471	-	-	-471	-
Class of 2013	733	97	156	-674	-
Class of 2014	1,971	35	1,421	-	585
Class of 2015	621	3,627	3,046	-	1,202
Class of 2016	681	1,519	267	-	1,933
Class of 2017	185	549	-	-	734
Class of 2018	277	203	-	-	480
Class of 2019	143	-	-	-	143
Dance team	-5,633	10,572	11,313	6,431	57
Vocal music/GC Jazz	2,671	4,368	7,065	26	-
Drama	1,383	2,382	2,413	-	1,352
Elementary vocal music	1,613	210	74	-	1,749
Annual	-4,033	7,032	8,993	5,994	-
Band	10,133	1,275	1,302	-985	9,121
Middle School student senate	7,727	-	-	-5,590	2,137
National Honor Society	-127	-	311	438	-
High School student senate	3,450	3,462	3,138	-	3,774
Art club	1,293	300	646	350	1,297
TAG club	11,066	1,781	3,085	-1,913	7,849
Middle School fund	350	16,245	10,698	5,240	11,137
Elementary student senate	20,926	45,267	52,399	-	13,794
FFA	1,453	11,124	9,161	-	3,416
Girls softball	-2,092	5,305	8,116	4,903	-
Boys basketball	4,339	17,648	14,097	-5,639	2,251
Football	-2,519	33,878	29,533	-1,704	122
Boys baseball	2	8,319	10,696	2,375	-
Boys track	-1,275	4,740	3,088	-326	51
Boys tennis	346	325	817	146	-
Boys golf	517	445	366	-	596
Athletics-general	-15,234	7,002	4,533	13,187	422
Music fundraiser	11,579	41,790	52,800	1,587	2,156
Speech	434	776	239	-	971
Greenhouse account	896	-	-	-	896
Germany exchange program	4,338	15,449	20,710	923	-
Fish restricted fund	41	-	-	-41	-
Cross country	-1,256	1,183	2,887	2,960	-
Ultimate mileage vehicle club	-	5,471	5,179	533	825
Spirit force	-	2,786	2,942	156	-
Spanish club	-	172	162	-	10
Nurse's fund	-	1,350	102	771	2,019

Grundy Center Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2014

Account	Balance Beginning Of Year	Revenues	Expenditures	Transfers	Balance End of Year
MS Read Across America	\$ 1,187	\$ 3,802	\$ 348	\$ -	\$ 4,641
Soccer	-1,800	-	1,865	3,665	-
Spartan clothing	381	-	-	-381	-
Concessions	18,827	30,031	34,786	-10,688	3,384
Wrestling	470	-	-	-	470
Girls basketball	8,427	10,348	13,383	-5,300	92
Girls volleyball	7,714	19,363	18,988	-5,214	2,875
Girls track	-1,585	6,233	7,834	3,186	-
Girls tennis	155	97	86	-	166
Girls golf	-1,634	2,408	3,370	2,596	-
Cheerleaders	-409	-	251	660	-
Academic Decathlon	8	1,610	3,221	1,603	-
Totals	\$ 104,628	\$ 342,556	\$ 365,891	\$ 1,485	\$ 82,778

See accompanying independent auditor's report.

Grundy Center Community School District

Schedule of Changes in Fiduciary Assets and Liabilities –
Agency Funds

Year ended June 30, 2014

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 2,814	\$ -	\$ -	\$ 2,814
Total Assets	\$ 2,814	\$ -	\$ -	\$ 2,814
Liabilities				
Accounts payable	\$ 2,814	\$ -	\$ -	\$ 2,814
Total Liabilities	\$ 2,814	\$ -	\$ -	\$ 2,814

See accompanying independent auditor's report.

Grundy Center Community School District

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

For the Last Ten Years

	Modified Accrual Basis			
	2014	2013	2012	2011
Revenues:				
Local Sources:				
Local tax	\$ 3,816,382	\$ 3,502,671	\$ 3,536,469	\$ 3,329,757
Tuition	356,518	305,021	307,834	303,305
Other	580,454	501,538	576,372	639,840
Intermediate sources	-	-	-	-
State sources	3,665,588	3,851,115	3,486,549	3,150,832
Federal sources	427,916	183,074	131,917	305,181
Total	\$ 8,846,858	\$ 8,343,419	\$ 8,039,141	\$ 7,728,915
Expenditures:				
Instruction:				
Regular instruction	\$ 3,367,818	\$ 3,187,514	\$ 2,743,343	\$ 3,031,483
Special instruction	737,569	786,534	876,095	731,225
Other instruction	1,097,517	782,323	1,058,059	1,082,556
Support services:				
Student services	177,338	157,766	136,585	72,465
Instructional staff services	510,309	444,362	461,420	309,405
Administrative services	829,801	706,534	757,404	680,854
Operation and maintenance of plant services	636,135	692,484	509,856	544,323
Transportation services	351,815	270,089	286,690	332,743
Non-instructional programs	2,711	2,000	2,000	1,500
Other expenditures:				
Facilities acquisition	796,565	182,895	308,045	243,170
Long-term debt:				
Principal	281,499	394,413	696,892	662,979
Interest and other charges	9,690	21,271	40,422	59,411
AEA flow-through	264,466	258,401	249,030	271,850
Total	\$ 9,063,233	\$ 7,886,586	\$ 8,125,841	\$ 8,023,964

See accompanying independent auditor's report.

Modified Accrual Basis					
2010	2009	2008	2007	2006	2005
\$ 3,189,115	\$ 3,072,240	\$ 2,654,620	\$ 2,501,957	\$ 2,458,970	\$ 2,395,998
325,993	337,417	369,437	415,217	399,585	487,874
635,260	787,170	940,856	873,250	748,472	832,296
-	-	-	-	-	-
2,755,430	3,065,231	3,022,179	2,705,942	2,659,509	2,498,444
497,180	204,403	233,811	251,312	356,802	99,457
\$ 7,402,978	\$ 7,466,461	\$ 7,220,903	\$ 6,747,678	\$ 6,623,338	\$ 6,314,069
\$ 2,810,790	\$ 2,668,124	\$ 2,582,004	\$ 2,554,867	\$ 2,595,156	\$ 2,178,448
836,216	782,801	642,618	669,725	641,467	640,435
1,063,960	1,031,035	836,894	837,722	869,596	786,938
69,243	114,657	105,105	95,360	103,293	110,848
235,957	180,266	220,406	252,287	261,425	191,869
711,820	693,604	657,058	605,127	571,840	576,288
550,877	580,021	680,273	528,455	535,578	502,216
240,659	309,105	209,682	185,824	250,452	222,599
1,500	1,500	1,500	-	-	370
384,328	788,163	248,636	302,643	253,858	908,150
464,119	435,082	489,586	444,816	393,851	354,479
86,488	77,051	87,956	117,043	158,870	118,524
267,032	222,659	215,321	194,979	186,044	178,953
\$ 7,722,989	\$ 7,884,068	\$ 6,977,039	\$ 6,788,848	\$ 6,821,430	\$ 6,770,117

Grundy Center Community School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
Indirect:			
US Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY14	\$ 32,394
National School Lunch Program	10.555	FY14	107,338
Team Nutrition Grant	10.574	FY14	1,000
			<u>\$ 140,732</u>
US Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY14	\$ 53,747
Career and Technical Education – Basic Grants to States	84.048	FY14	\$ 11,050
Advanced Placement Programs	84.330	FY14	\$ 33
Improving Teacher Quality State Grants	84.367	FY14	\$ 13,176
Grants for State Assessment and Related Activities	84.369	FY14	\$ 3,702
Area Education Agency 267:			
Special Education – Grants to States	84.027	FY14	\$ 29,604
U.S. Department of Homeland Security:			
Iowa Department of Education:			
Hazard Mitigation Grants	97.039	FY14	\$ 251,004
Total			<u>\$ 503,048</u>

* - Includes \$19,830 of non-cash awards.

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Grundy Center Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

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

To the Board of Education of
Grundy Center Community School District:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Grundy Center Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements which collectively comprise the District's basic financial statements, and have issued my report thereon dated March 27, 2015.

Internal Control Over Financial Reporting

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

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control I 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 combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies described in Part I of the accompanying Schedule of Findings as items 2014-001 through 2014-007 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item 2014-008 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grundy Center Community School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

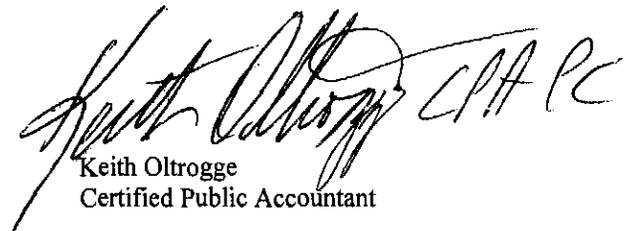
Grundy Center Community School District's Responses to the Findings

Grundy Center Community School District's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. Grundy Center Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

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

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Grundy Center Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge
Certified Public Accountant

March 27, 2015

**Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance Required
by OMB Circular A-133**

Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Board of Education of
Grundy Center Community School District

Report on Compliance for Each Major Federal Program

I have audited Grundy Center Community School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Grundy Center Community School District's major federal programs for the year ended June 30, 2014. Grundy Center Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings.

Management's Responsibility

Management is responsible for compliance with the requirements of law, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Grundy Center Community School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with U.S. generally accepted auditing Standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Grundy Center Community School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each of the major federal programs. However, my audit does not provide a legal determination of Grundy Center Community School District's compliance.

Opinion on Each Major Federal Program

In my opinion, Grundy Center Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

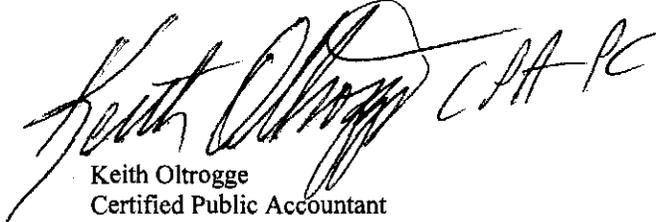
The Management of Grundy Center Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Grundy Center Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Grundy Center Community School District's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified deficiencies in internal control over compliance I consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. I consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings as items 2014-009 and 2014-010 to be material weaknesses.

Grundy Center Community School District's responses to the internal control over compliance findings identified in my audit are described in the accompanying Schedule of Findings. Grundy Center Community School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on them.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Keith Oltrogge
Certified Public Accountant

March 27, 2015

Grundy Center Community School District

Schedule of Findings

Year Ended June 30, 2014

Part I – Summary of the Independent Auditor’s Results:

- a) Unmodified opinions were issued on the financial statements.
- b) A significant deficiency and material weaknesses 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.
- d) Material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements.
- e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g) Major programs were as follows:
 - Child Nutrition Cluster:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 10.574 – Team Nutrition Grant
 - CFDA Number 97.039 – Hazard Mitigation Grant
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) Grundy Center Community School District did not qualify as a low-risk auditee.

Grundy Center Community School District

Schedule of Findings

Year Ended June 30, 2014

Part II – Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2014-001 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded and checks are prepared by the same person.

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

Response and Corrective Action Plan – We will continue to review our procedures and implement additional control where possible.

Conclusion – Response accepted.

2014-002 Disbursement Approval – For 25 of 35 general fund, activity fund and nutrition fund disbursements tested, there was no evidence to document the date the Superintendent approved the expenditures.

Recommendation – The District should ensure all expenditures are properly approved. The District should maintain documentation of the Superintendent's approval of claims for payment, such as the Superintendent's initials and date of approval.

Response and Corrective Action Plan – We will ensure all expenditures are properly approved and maintained documentation of the approval.

Conclusion – Response acknowledged.

2014-003 Supporting Documentation – I noted instances of checks being written to a MasterCard without an invoice or supporting documentation.

Recommendation – The District should review their procedures that are in place to ensure that all bills are supported, approved, and paid from an invoice. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or support documentation other than the invoice.

Response and Corrective Action Plan – The District will review its procedures to ensure invoices are provided for all payments.

Conclusion – Response acknowledged.

Grundy Center Community School District

Schedule of Findings

Year Ended June 30, 2014

Part II – Findings Related to the Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES:

2014-004 Supporting Documentation for Meal Money – I noted during my audit instances of students receiving meal money during District sponsored trips. However, there was no documentation as to who received funds and/or the amount of funds received.

Recommendation – The District should document who receives cash when going on trips. The District should have a list of who received the cash and the amount. The students should sign off upon receiving cash for a trip. The District should review the procedures in place and implement controls to ensure documentation is gathered to support the check written for cash needed for the trip.

Response and Corrective Action Plan – The District will document who is receiving cash by having the students sign that they have received the money.

Conclusion – Response acknowledged.

2014-0005 Timecards – The District requires hourly employees to submit timecards. However, the timecards are not approved by the employee's supervisor.

Recommendation – The District should develop a policy to require timecards to be approved by the employee's supervisor prior to submission.

Response and Corrective Action Plan – Timecards are now being approved by the supervisor.

Conclusion – Response acknowledged.

2014-006 Employees Who Officiate Athletic Events and Gateway Camp – I noted the District had employees who officiated athletic events and camp work for the school. The District paid the employees with Student Activity Fund and General Fund accounts payable checks instead of paying them through regular payroll where applicable taxes could be applied.

Recommendation – These payments should be paid through the payroll in order to be included with their income for quarterly Federal 941 reports and W-2s.

Response and Corrective Action Plan – We are no longer using District employees as officials.

Conclusion – Response accepted.

2014-007 Financial Reporting – During the audit, I identified amounts of expenses in the student activity fund accounts that were not coded properly.

Recommendation – The District should review the coding of all bills and receipts to ensure they are properly coded in accordance with the Uniform Financial Accounting for Iowa LEAs and AEA's.

Response and Corrective Action Plan – The District will review the coding of bills, to ensure they are all properly recorded.

Conclusion – Response acknowledged.

Grundy Center Community School District

Schedule of Findings

Year Ended June 30, 2014

Part II – Findings Related to the Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES:

2014-008 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District’s financial reporting process. The District has a limited number of employees and it is not cost beneficial to prepare the financial statements and footnote disclosures. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is common control deficiency of most small Districts and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the District would like to address.

Response and Corrective Action Plan – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

Grundy Center Community School District

Schedule of Findings

Year Ended June 30, 2014

Part III – Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.574: Team Nutrition Grant
Federal Award Year: 2014
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 97.039: Hazard Mitigation Grant
Federal Award Year: 2014
U.S. Department of Homeland Security
Passed through the Iowa Department of Education

2014-009 Segregation of Duties – One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the District's financial statements. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the bank receipts issued. An independent person does not review the bank reconciliations. Also, vouchers are processed, disbursements are recorded and check prepared by the same person.

Recommendation – The District should review its procedures to obtain the maximum internal control possible utilizing currently available staff.

Response and Corrective Action Plan – We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion – Response acknowledged.

2014-010 Disbursement Approval – For 25 of 35 general fund, activity fund and nutrition fund disbursements tested, there was no evidence to document the date the Superintendent approved the expenditures.

Recommendation – The District should ensure all expenditures are properly approved. The District should maintain documentation of the Superintendent's approval of claims for payment, such as the Superintendent's initials and date of approval.

Response and Corrective Action Plan – We will ensure all expenditures are properly approved and maintained documentation of the approval.

Conclusion – Response acknowledged.

Grundy Center Community School District

Schedule of Findings

Year Ended June 30, 2014

Part IV - Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget – Expenditures for the year ended June 30, 2014 exceed the amended certified budget amounts in the support services function.

Recommendation – Although the District amended the budget during the year the amount of the amendment was not enough to prevent the District from overspending in the support services functional area. The District should have 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 in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

IV-B-14 Questionable Expenditures – Certain disbursements were noted I believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

Vendor	Description	Amount
MasterCard	Board meeting food	\$24.96
Amazon	Late fee	\$35.00
Sam’s Club	Interest and late fee	\$45.23
MasterCard	Equipment for Hawkeye Community College	\$4395.14

Recommendation – The District should review Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1) for the allowability of expenditures. When the District purchases items as retirement gifts and food for teacher appreciation, these purchases would be more appropriate from the General Fund as long as public purpose is documented and the items are de minimis according to Internal Revenue Service Publication 15-B. Additionally, the Board of Directors should approve the purchase of such items prior to the expenditure and document the public purpose derived.

Gift cards are not appropriate district purchases since Iowa Code Section 279.29 requires districts to “audit and allow” all bills and the gift card does not provide the Board with the ability to perform the required function of approval of the final purchase. Also, some of the gift cards are for restaurants or establishments which may have items which are not an allowable purchase with public funds. Without knowing the ultimate purchase, we do not believe that the District can comply with Chapter 279.29.

Response – Beginning in fiscal 2015, the District will not make any purchases for retirement gifts, teacher appreciation supplies or other items that are not appropriate.

Conclusion – Response acknowledged.

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

Grundy Center Community School District

Schedule of Findings

Year Ended June 30, 2014

Part IV - Other Findings Related to Required Statutory Reporting (continued):

IV-D-14 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title & Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Superior Masonry – Owner Kenny Young – Employee	Services	\$250
Folkedohl Plumbing – Owner Vern Folkedohl – Employee	Services	\$200

In accordance with an Attorney General’s opinion date November 9, 1976, the above transactions do not appear to represent conflicts of interest.

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

IV-F-14 Board Minutes – Certain minutes were not published as required by Chapter 279.35 of the Code of Iowa.

Recommendation – The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting.

Response – Procedures have been revised to ensure minutes are published as required.

Conclusion – Response accepted.

IV-G-14 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-H-14 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-14 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

IV-J-14 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education. Certain adjustments were made to the District’s records for audit purposes subsequent to the submission of the Certified Annual Report.

Recommendation – The District should reflect the adjustments made to the fiscal year 2014 Certified Annual Report as upward and downward adjustments to the fiscal year 2015 beginning balance.

Response – We will reflect this as soon as the audit is issued. The report will be given to the auditor for the next year.

Conclusion – Response accepted.

IV-K-14 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

Grundy Center Community School District

Schedule of Findings

Year Ended June 30, 2014

Part IV - Other Findings Related to Required Statutory Reporting (continued):

IV-L-14 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions 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, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	400,080
Revenues/transfers in:			
Sales tax revenues	\$	314,491	
Other local revenues		3,681	
School infrastructure supplemental amount		245,821	
Lease proceeds		280,740	844,733
			<hr/>
		\$	1,244,813
Expenditures/transfers out:			
Equipment			
School infrastructure	\$	369,015	
Other		129,766	
Transfers to other funds:		71,047	
Debt service fund		261,939	831,767
			<hr/>
Ending balance		\$	<u>413,046</u>

For the year ended June 30, 2014, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Per \$1,000 of Taxable Valuation		Property Tax Dollars
Debt service levy	\$	-	\$ 560,312
Physical plant and equipment levy		-	267,292
Public educational and recreational levy		-	-

IV-M-14 Payroll – 1 noted the following incorrect calculations for 2 of 13 employee records reviewed:

- Life insurance was deducted before FICA was calculated.

Recommendation – The District should review the payroll set-up to ensure it is calculating correctly.

Response and Corrective Action Plan – We will review the payroll set-up for all employees.

Conclusion – Response accepted.