

Grundy Center Community School District

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

June 30, 2015

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**Grundy Center Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Robert Johanns	President	2015
Ron Saak	Vice President	2017
Brent Ascher	Board Member	2017
Kelly Matthews	Board Member	2015
Chad Mackie	Board Member	2017
<b>School Officials</b>		
Jerry Schutz	Superintendent	2015
Chad Wagner	Treasurer and Business Manager	2015
Christel Kellar*	District Secretary	2015
Heronimus, Schmidt, Allan & Schroeder	Attorney	2015
Andrew Bracken	Attorney	2015

\*Resigned July 15, 2015

## 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, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### Emphasis of Matter

As discussed in Note 14 to the financial statements, Grundy Center Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. My opinions are not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 41 through 46 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 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, 2014, (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, 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 9, 2016 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 9, 2016

## **Grundy Center Community School District**

### **Management's Discussion and Analysis**

#### **For the Fiscal Year Ended June 30, 2015**

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, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### **2015 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$7,031,247 in fiscal 2014 to \$6,802,269 in fiscal 2015, and General Fund expenditures decreased from \$6,841,835 in fiscal 2014 to \$6,837,938 in fiscal 2015. The District's General Fund balance decreased from adjusted \$1,440,349 in fiscal 2014 to \$1,406,751 in fiscal 2015, a 2.3% increase.
- The decrease in General Fund revenues was attributable to a decrease in local tax and federal grant revenue in fiscal 2015. The decrease in expenditures was due primarily to a decrease in support service expenditures.
- A decrease in the District's General Fund balance resulted in the District's solvency ratio decreasing from 20.3% in fiscal 2014 to 19.2% in fiscal 2015. 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 financial 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, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

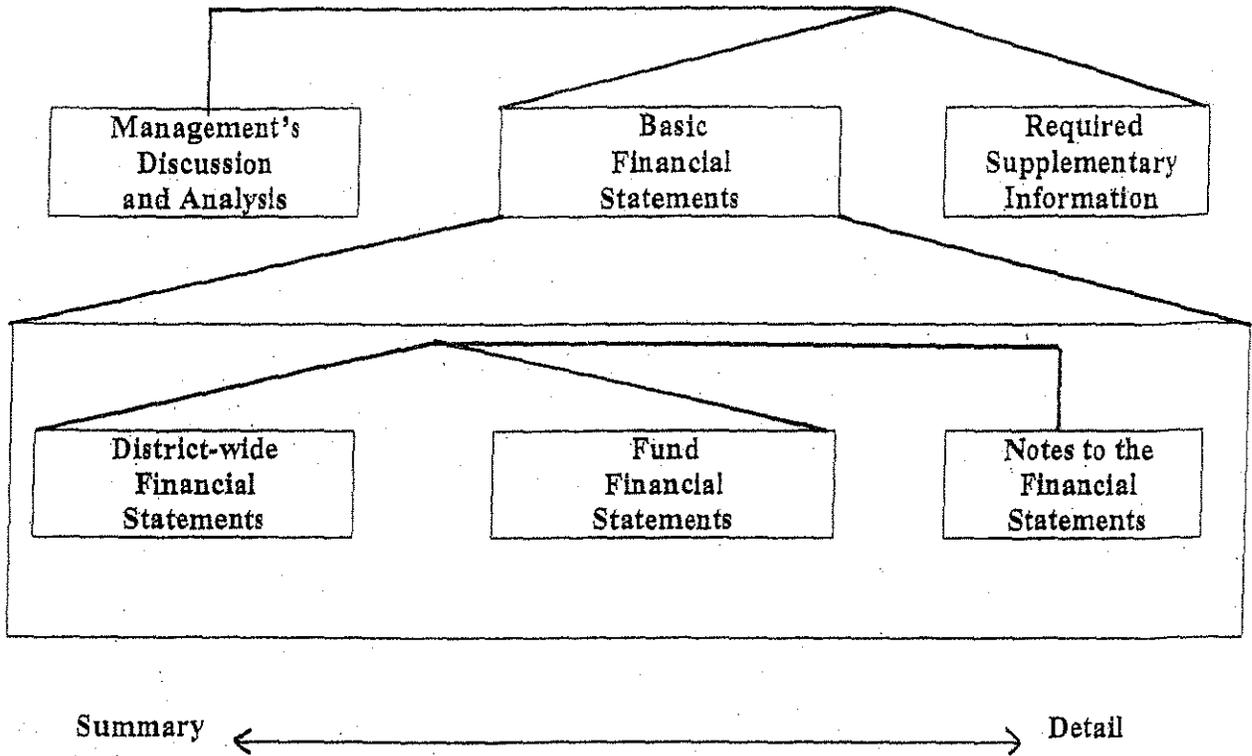


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**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	Balance sheet	Statement of net position	Statement of fiduciary net position
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net position	Statement of changes in fiduciary net position
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/inflow information	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements (continued):**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

The District'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.

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
		(Not restated)		(Not restated)		(Not restated)	
Current and other assets	\$5,986,527	\$5,482,758	\$27,819	\$26,892	\$6,014,346	\$5,509,650	9.2%
Capital assets	6,506,923	6,565,845	22,362	28,210	6,529,285	6,594,055	-1.0%
Total assets	\$12,493,450	\$12,048,603	\$50,181	\$55,102	\$12,543,631	\$12,103,705	3.6%
Deferred outflows of resources	\$756,553	\$-	\$17,090	\$-	\$773,643	\$-	100%
Long-term liabilities	\$3,355,293	\$701,375	\$57,320	\$-	\$3,412,613	\$701,375	386.6%
Other liabilities	757,081	418,562	4,343	4,651	761,424	423,213	79.9%
Total liabilities	\$4,112,374	\$1,119,937	\$61,663	\$4,651	\$4,174,037	\$1,124,588	271.2%
Deferred inflows of resources	\$3,668,247	\$2,630,355	\$21,860	\$-	\$3,690,107	\$2,630,355	40.3%
Net position:							
Net investment in capital assets							
assets	\$6,412,993	\$6,270,509	\$22,362	\$28,210	\$6,435,355	\$6,298,719	2.2%
Restricted	649,573	559,779	-	-	649,573	559,779	16.0%
Unrestricted	-1,593,184	1,468,023	-38,614	22,241	-1,631,798	1,490,264	-209.5%
Total net position	\$5,469,382	\$8,298,311	-\$16,252	\$50,451	\$5,453,130	\$8,348,762	-34.7%

The District’s total net position decreased 34.7%, or \$2,895,632, from 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, 2015, increased by approximately 16.0%, or \$89,794 over the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$3,122,062, or 34.7%. This reduction in unrestricted net position was primarily a result of the District's net pension liability and net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$3,106,419 and \$70,171, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

**Figure A-4**  
**Changes in Net Position**

	Governmental Activities		Business Type Activities		Total District		Total Change 2014-2015
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for service	\$904,506	\$873,367	\$231,080	\$217,370	\$1,135,586	\$1,090,737	4.1%
Operating grants, contributions and restricted interest	975,700	1,010,767	145,745	143,581	1,121,445	1,154,348	-2.9%
Capital grants, contributions and restricted interest	312,311	284,449	-	-	312,311	284,449	9.8%
<b>General revenues:</b>							
Property tax	2,631,602	2,955,913	-	-	2,631,602	2,955,913	-11.0%
Income surtax	291,968	333,178	-	-	291,968	333,178	-12.4%
Statewide sales, service and use tax	585,902	560,312	-	-	585,902	560,312	4.6%
Unrestricted state grants	2,870,980	2,798,289	-	-	2,870,980	2,798,289	2.6%
Unrestricted investment earnings	11,903	11,687	157	91	12,060	11,778	2.4%
Other	79,982	51,917	-	-	79,982	51,917	54.1%
<b>Total revenues</b>	<b>\$8,664,854</b>	<b>\$8,879,879</b>	<b>\$376,982</b>	<b>\$361,042</b>	<b>\$9,041,836</b>	<b>\$9,240,921</b>	<b>-2.2%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instruction	\$5,058,077	\$5,450,141	\$-	\$-	\$5,058,077	\$5,450,141	-7.2%
Support services	2,523,117	2,379,029	2,290	-	2,525,407	2,379,029	6.2%
Non-instructional programs	3,426	2,711	371,224	350,943	374,650	353,654	5.9%
Other expenses	809,147	539,335	-	-	809,147	539,335	50.0%
<b>Total expenses</b>	<b>\$8,393,767</b>	<b>\$8,371,216</b>	<b>\$373,514</b>	<b>\$350,943</b>	<b>\$8,767,281</b>	<b>\$8,722,159</b>	<b>0.5%</b>
Change in net position before other financing sources	\$271,087	\$508,663	\$3,468	\$10,099	\$274,555	\$518,762	-47.1%
Other financing sources	2,071	4,071	-	-	2,071	4,071	-49.1%
<b>Change in net position</b>	<b>\$273,158</b>	<b>\$512,734</b>	<b>\$3,468</b>	<b>\$10,099</b>	<b>\$276,626</b>	<b>\$522,833</b>	<b>-47.1%</b>
<b>Net position, beginning of year, as restated</b>	<b>\$5,191,892</b>	<b>\$7,769,977</b>	<b>-\$19,720</b>	<b>\$40,352</b>	<b>\$5,172,172</b>	<b>\$7,810,329</b>	<b>-33.8%</b>
Prior period adjustment	4,332	15,600	-	-	4,332	15,600	-72.2%
<b>Adjusted net position, beginning of Year, as restated</b>	<b>\$5,196,224</b>	<b>\$7,785,577</b>	<b>-\$19,720</b>	<b>\$40,352</b>	<b>\$5,176,504</b>	<b>\$7,825,929</b>	<b>-33.9%</b>
<b>Net position, end of year</b>	<b>\$5,469,382</b>	<b>\$8,298,311</b>	<b>-\$16,252</b>	<b>\$50,451</b>	<b>\$5,453,130</b>	<b>\$8,348,762</b>	<b>-34.7%</b>

In fiscal year 2015, property tax and unrestricted state grants account for 63.5% 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 \$9.0 million, of which approximately \$8.6 million was for governmental activities and less than \$0.4 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.2% decrease in revenues and a 0.5% increase in expenses. Property tax decreased \$324,311. The increase in expenses is related to an increase in support services, non-instructional and other expenses.

### Governmental Activities

Revenues for governmental activities were \$8,664,854 and expenses were \$8,393,767. 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		Change 2014-2015	Net Cost of Services		Change 2014-2015
	2015	2014 (Not restated)		2015	2014 (Not restated)	
Instruction	\$5,058,077	\$5,450,141	-7.2%	\$3,246,508	\$3,632,055	-10.6%
Support services	2,523,117	2,379,029	6.1%	2,454,480	2,312,981	6.1%
Non-instructional programs	3,426	2,711	26.4%	3,426	2,711	26.4%
Other expenses	809,147	539,335	50.0%	496,836	254,886	94.9%
<b>Totals</b>	<b>\$8,393,767</b>	<b>\$8,371,216</b>	<b>0.3%</b>	<b>\$6,201,250</b>	<b>\$6,202,633</b>	<b>-0.01%</b>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,135,586.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,121,445.
- The net cost of governmental activities was financed with \$3,509,472 in property and other taxes and \$2,870,980 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities were \$376,982 and expenses were \$373,514. 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 combined fund balances of \$5,469,382 above last year's ending adjusted fund balances of \$5,196,224. The primary reason for the increase in combined fund balances in fiscal 2015 is due to revenue exceeding expenditures for the year.

## Governmental Fund Highlights

- The General Fund balance decreased from adjusted \$1,440,349 to \$1,406,751, due primarily to the decrease in local and federal sources.
- The Capital Projects Fund balance increased from \$431,944 in fiscal 2014 to \$494,176 in fiscal 2015, due to an increase in statewide sales, services and use tax receipts.

## Proprietary Fund Highlights

- School Nutrition Fund net position increased from restated -\$19,720 at June 30, 2014 to -\$16,252 at June 30, 2015, representing an increase of approximately 17.6%.

## 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 total revenues were \$771,374 more than total budgeted revenues, a variance of 9.3%. 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.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2015, the District had invested approximately \$6.5 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 decrease of 1.0% 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 \$467,270.

The original cost of the District's capital assets was approximately \$15.4 million. Governmental funds account for \$15.3 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 decreased by \$569,824 at June 30, 2015 as the safe room project was completed.

**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,
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$35,252	\$21,252	\$-	\$-	\$35,252	\$21,252	65.8%
Construction in process	-	680,159	-	-	-	680,159	-100.0%
Buildings	4,822,752	4,048,708	-	-	4,822,752	4,048,708	19.1%
Improvements other than buildings	275,757	292,328	-	-	275,757	292,328	-5.7%
Furniture and equipment	1,373,162	1,523,398	22,362	28,210	1,395,524	1,551,608	10.1%
<b>Totals</b>	<b>\$6,506,923</b>	<b>\$6,565,845</b>	<b>\$22,362</b>	<b>\$28,210</b>	<b>\$6,529,285</b>	<b>\$6,594,055</b>	<b>-1.0%</b>

**Long-Term Debt**

At June 30, 2015, the District had \$93,930 in general obligation bonds, notes payable and other long-term debt outstanding. This represents a decrease of approximately 68.2% 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 \$19.6 million.

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

	Total District		Total Change
	June 30, 2015	2014	June 30, 2014-2015
Revenue bonds	\$-	\$110,000	-100%
Capital leases	93,930	185,336	-49.4%
Totals	\$93,930	\$295,336	-68.2%

**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 had an enrollment increase for the October 2015 count of 27.43.
- The District applied for and received the Statewide Voluntary Preschool Program for the 2015-16 school year.
- The District is making significant budget reductions for the 2015-16 school year due primarily to 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, 1301-12<sup>th</sup> Street, Grundy Center IA 50638.

## **Basic Financial Statements**

## Grundy Center Community School District

## Statement of Net Position

June 30, 2015

	Govern- mental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash, Cash Equivalents and Pooled Investments	\$ 2,645,690	\$ 22,706	\$ 2,668,396
Accrued interest	493	-	493
Receivables:			
Property tax:			
Delinquent	36,372	-	36,372
Succeeding year	2,700,514	-	2,700,514
Income surtax	257,693	-	257,693
Accounts	123,383	716	124,099
Prepaid OPEB	38,384	-	38,384
Due from other governments	183,998	-	183,998
Inventories	-	4,397	4,397
Capital assets, net of accumulated depreciation/amortization	6,506,923	22,362	6,529,285
<b>Total Assets</b>	<b>\$ 12,493,450</b>	<b>\$ 50,181</b>	<b>\$ 12,543,631</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	\$ 756,553	\$ 17,090	\$ 773,643
<b>Liabilities</b>			
Accounts payable	\$ 157,060	\$ -	\$ 157,060
Salaries and benefits payable	583,692	-	583,692
Other liabilities	13,850	-	13,850
Unearned revenue	-	4,343	4,343
Accrued interest payable	2,479	-	2,479
Long-term liabilities:			
Portion due within one year:			
Capital leases	93,930	-	93,930
Early retirement	163,024	-	163,024
Portion due after one year:			
Early retirement	560,831	-	560,831
Net pension liability	2,537,508	57,320	2,594,828
<b>Total Liabilities</b>	<b>\$ 4,112,374</b>	<b>\$ 61,663</b>	<b>\$ 4,174,037</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	\$ 2,700,514	\$ -	\$ 2,700,514
Pension related deferred inflows	967,733	21,860	989,593
<b>Total Deferred Inflows of Resources</b>	<b>\$ 3,668,247</b>	<b>\$ 21,860</b>	<b>\$ 3,690,107</b>

See notes to financial statements.

## Grundy Center Community School District

## Statement of Net Position

June 30, 2015

	Govern- mental Activities	Business Type Activities	Total
<b>Net Position</b>			
Net investment in capital assets	\$ 6,412,993	\$ 22,362	\$ 6,435,355
Restricted for:			
Categorical funding	93,675	-	93,675
Debt service			
School infrastructure	421,707	-	421,707
Student activities	61,722	-	61,722
Physical plant and equipment	72,469	-	72,469
Unrestricted	-1,593,184	-38,614	-1,631,798
<b>Total Net Position</b>	<b>\$ 5,469,382</b>	<b>\$ -16,252</b>	<b>\$ 5,453,130</b>

**Grundy Center Community School District**

**Statement of Activities**

**Year Ended June 30, 2015**

<u>Functions/Programs</u>	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular instruction	\$ 3,309,788	\$ 496,210	\$ 764,088	\$ -
Special instruction	718,753	33,165	131,813	-
Other instruction	1,029,536	313,876	72,417	-
	<u>\$ 5,058,077</u>	<u>\$ 843,251</u>	<u>\$ 968,318</u>	<u>\$ -</u>
<b>Support Services:</b>				
Student services	\$ 140,630	\$ -	\$ 3,300	\$ -
Instructional staff services	493,903	-	-	-
Administration services	966,473	4,550	-	-
Operation and maintenance of plant services	623,247	14,705	-	-
Transportation services	298,864	42,000	4,082	-
	<u>\$ 2,523,117</u>	<u>\$ 61,255</u>	<u>\$ 7,382</u>	<u>\$ -</u>
<b>Non-instructional programs</b>	<u>\$ 3,426</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Other Expenditures:</b>				
Facilities acquisition	\$ 540,751	\$ -	\$ -	\$ 312,311
Long-term debt interest	2,703	-	-	-
AEA flow-through	265,693	-	-	-
	<u>\$ 809,147</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 312,311</u>
<b>Total Governmental Activities</b>	<u>\$ 8,393,767</u>	<u>\$ 904,506</u>	<u>\$ 975,700</u>	<u>\$ 312,311</u>
<b>Business Type Activities:</b>				
<b>Non-Instructional Programs:</b>				
Food service operations	\$ 371,224	\$ 231,080	\$ 145,745	\$ -
<b>Support Services:</b>				
Operation and maintenance of plant services	2,290	-	-	-
<b>Total Business Type Activities</b>	<u>\$ 373,514</u>	<u>\$ 231,080</u>	<u>\$ 145,745</u>	<u>\$ -</u>
<b>Total</b>	<u>\$ 8,767,281</u>	<u>\$ 1,135,586</u>	<u>\$ 1,121,445</u>	<u>\$ 312,311</u>

See notes to financial statements.

Net (Expense) Revenue  
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ -2,049,490	\$ -	\$ -2,049,490
-553,775	-	-553,775
-643,243	-	-643,243
<u>\$ -3,246,508</u>	<u>\$ -</u>	<u>\$ -3,246,508</u>
\$ -137,330	\$ -	\$ -137,330
-493,903	-	-493,903
-961,923	-	-961,923
-608,542	-	-608,542
-252,782	-	-252,782
<u>\$ -2,454,480</u>	<u>\$ -</u>	<u>\$ -2,454,480</u>
\$ -3,426	\$ -	\$ -3,426
\$ -228,440	\$ -	\$ -228,440
-2,703	-	-2,703
-265,693	-	-265,693
<u>\$ -496,836</u>	<u>\$ -</u>	<u>\$ -496,836</u>
\$ -6,201,250	\$ -	\$ -6,201,250
\$ -	\$ 5,601	\$ 5,601
-	-2,290	-2,290
<u>\$ -</u>	<u>\$ 3,311</u>	<u>\$ 3,311</u>
<u>\$ -6,201,250</u>	<u>\$ 3,311</u>	<u>\$ -6,197,939</u>

**Grundy Center Community School District**

**Statement of Activities**

**Year Ended June 30, 2015**

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			
<b>General Revenues:</b>			
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, as restated			
 Prior period adjustment			
 Adjusted net position beginning of year, as restated			
 Net Position End of Year			

See notes to financial statements.

Net (Expense) Revenue  
And Changes in Net Position

Governmental Activities		Business Type Activities		Total
\$	2,287,488	\$	-	\$ 2,287,488
	344,114		-	344,114
	291,968		-	291,968
	585,902		-	585,902
	2,870,980		-	2,870,980
	11,903		157	12,060
	79,982		-	79,982
\$	6,472,337	\$	157	\$ 6,472,494
\$	271,087	\$	3,468	\$ 274,555
	2,071		-	2,071
\$	273,158	\$	3,468	\$ 276,626
\$	5,191,892	\$	-19,720	\$ 5,172,172
	4,332		-	4,332
\$	5,196,224	\$	-19,720	\$ 5,176,504
\$	5,469,382	\$	-16,252	\$ 5,453,130

## Grundy Center Community School District

Balance Sheet  
Governmental Funds

June 30, 2015

Assets	General	Capital Projects	Non-Major Funds	Total
Cash, cash equivalents and pooled investments	\$ 1,901,472	\$ 411,137	\$ 333,081	\$ 2,645,690
Receivables:				
Interest	229	-	264	493
Property Tax:				
Delinquent	28,276	4,619	3,477	36,372
Succeeding year	1,975,330	350,184	375,000	2,700,514
Income surtax	257,693	-	-	257,693
Accounts	113,333	10,050	-	123,383
Due from other governments	92,108	91,890	-	183,998
<b>Total assets</b>	<b>\$ 4,368,441</b>	<b>\$ 867,880</b>	<b>\$ 711,822</b>	<b>\$ 5,948,143</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 131,989	\$ 23,520	\$ 1,551	\$ 157,060
Salaries and benefits payable	582,828	-	864	583,692
Other liabilities	13,850	-	-	13,850
Total liabilities	\$ 728,667	\$ 23,520	\$ 2,415	\$ 754,602
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	\$ 1,975,330	\$ 350,184	\$ 375,000	\$ 2,700,514
Other	257,693	-	-	257,693
Total deferred inflows of resources	\$ 2,233,023	\$ 350,184	\$ 375,000	\$ 2,958,207
Fund Balances:				
Restricted for:				
Categorical funding	\$ 93,675	\$ -	\$ -	\$ 93,675
Management levy purposes	-	-	272,685	272,685
Student activities	-	-	61,722	61,722
School infrastructure	-	421,707	-	421,707
Physical plant and equipment	-	72,469	-	72,469
Unrestricted	1,313,076	-	-	1,313,076
Total fund balances	\$ 1,406,751	\$ 494,176	\$ 334,407	\$ 2,235,334
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 4,368,441</b>	<b>\$ 867,880</b>	<b>\$ 711,822</b>	<b>\$ 5,948,143</b>

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, 2015

Total fund balances of governmental funds (page 18) \$ 2,235,334

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds 6,506,923

Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 296,077

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds -2,479

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

Deferred outflows of resources	\$ 756,553	
Deferred inflows of resources	<u>-967,733</u>	-211,180

Long-term liabilities, including bonds and notes payable, early retirement, other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds

-3,355,293

Net position of governmental activities (page 15) \$ 5,469,382

## Grundy Center Community School District

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

Year Ended June 30, 2015

	General	Capital Projects	Non-Major	Total
<b>Revenues:</b>				
<b>Local Sources:</b>				
Local tax	\$ 2,327,130	\$ 344,114	\$ 250,121	\$ 2,921,365
Tuition	451,134	-	-	451,134
Other	224,056	14,770	306,430	545,256
Intermediate sources	-	-	-	-
State sources	3,590,807	630,446	2,188	4,223,441
Federal sources	209,142	312,311	-	521,453
<b>Total Revenues</b>	<b>\$ 6,802,269</b>	<b>\$ 1,301,641</b>	<b>\$ 558,739</b>	<b>\$ 8,662,649</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular instruction	\$ 2,963,694	\$ 10,050	\$ 147,399	\$ 3,121,143
Special instruction	747,021	-	-	747,021
Other instruction	782,878	-	304,922	1,087,800
	<b>\$ 4,493,593</b>	<b>\$ 10,050</b>	<b>\$ 452,321</b>	<b>\$ 4,955,964</b>
<b>Support Services:</b>				
Student services	\$ 146,833	\$ -	\$ 594	\$ 147,427
Instructional staff services	400,419	70,759	-	471,178
Administration services	734,843	30,997	17,193	783,033
Operation and maintenance of plant services	549,574	81,328	36,662	667,564
Transportation services	246,983	-	12,193	259,176
	<b>\$ 2,078,652</b>	<b>\$ 183,084</b>	<b>\$ 66,642</b>	<b>\$ 2,328,378</b>
Non-instructional programs	\$ -	\$ -	\$ 3,426	\$ 3,426
<b>Other Expenditures:</b>				
Facilities acquisition	\$ -	\$ 837,167	\$ -	\$ 837,167
<b>Long-Term Debt:</b>				
Principal	-	-	201,406	201,406
Interest and fiscal charges	-	-	7,702	7,702
AEA flow-through	265,693	-	-	265,693
	<b>\$ 265,693</b>	<b>\$ 837,167</b>	<b>\$ 209,108</b>	<b>\$ 1,311,968</b>
<b>Total Expenditures</b>	<b>\$ 6,837,938</b>	<b>\$ 1,030,301</b>	<b>\$ 731,497</b>	<b>\$ 8,599,736</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ -35,669</b>	<b>\$ 271,340</b>	<b>\$ -172,758</b>	<b>\$ 62,913</b>

## Grundy Center Community School District

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

Year Ended June 30, 2015

	General	Capital Projects	Non-Major Funds	Total
Other Financing Sources (Uses):				
Sale of assets	\$ 2,071	\$ -	\$ -	\$ 2,071
Transfers in	-	-	209,108	209,108
Transfers out	-	-209,108	-	-209,108
Total other financing sources (uses)	\$ 2,071	\$ -209,108	\$ 209,108	\$ 2,071
Change in fund balances	\$ -33,598	\$ 62,232	\$ 36,350	\$ 64,984
Fund balances beginning of year	\$ 1,436,017	\$ 431,944	\$ 298,057	\$ 2,166,018
Prior period adjustment	4,332	-	-	4,332
Adjusted fund balances beginning of year	\$ 1,440,349	\$ 431,944	\$ 298,057	\$ 2,170,350
Fund balances end of year	\$ 1,406,751	\$ 494,176	\$ 334,407	\$ 2,235,334

See notes to financial statements.

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, 2015

Change in fund balances – total governmental funds (page 21) \$ 64,984

*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. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 414,196	
Depreciation/amortization expense	<u>-473,118</u>	-58,922

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. 2,205

Proceeds from the issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increase 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 are as follows:

Repaid		201,406
--------	--	---------

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. 4,999

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 344,150

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	\$ -317,816	
Pension expense	13,581	
Other postemployment benefits	<u>18,571</u>	-285,664

Change in Net Position of Governmental Activities (page 17) \$ 273,158

## Grundy Center Community School District

Statement of Net Position  
Proprietary Funds

June 30, 2015

	Enterprise, School Nutrition
<b>Assets</b>	
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 22,706
Accounts receivable	716
Inventories	4,397
Total current assets	<u>\$ 27,819</u>
<b>Non-Current Assets:</b>	
Capital assets, net of accumulated depreciation	<u>\$ 22,362</u>
<b>Total Assets</b>	<u>\$ 50,181</u>
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	<u>\$ 17,090</u>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Unearned revenue	\$ 4,343
Total current liabilities	<u>\$ 4,343</u>
<b>Non-Current Liabilities:</b>	
Net pension liability	<u>\$ 57,320</u>
Total non-current liabilities	<u>\$ 57,320</u>
<b>Total Liabilities</b>	<u>\$ 61,663</u>
<b>Deferred Inflows of Resources</b>	
Pension related deferred inflows	<u>\$ 21,860</u>
<b>Net Position</b>	
Net investment in capital assets	\$ 22,362
Unrestricted	<u>-38,614</u>
<b>Total Net Position</b>	<u>\$ -16,252</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, 2015

	Enterprise, School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 231,080
Operating expenses:	
Support services:	
Operation and maintenance of plant	\$ 2,290
Non-instructional programs:	
Food service operations:	
Salaries	\$ 85,917
Benefits	39,254
Purchased services	23,497
Supplies	213,947
Depreciation	5,848
Other	2,761
	<u>\$ 371,224</u>
Total operating expenses	<u>\$ 373,514</u>
Operating loss	<u>\$ -142,434</u>
Non-operating revenues:	
State sources	\$ 2,807
Federal sources	142,938
Interest income	157
Total non-operating revenues	<u>\$ 145,902</u>
Increase in net position	\$ 3,468
Net position beginning of year, as restated	<u>-19,720</u>
Net Position End of Year	<u>\$ -16,252</u>

See notes to financial statements.

## Grundy Center Community School District

Statement of Cash Flows  
Proprietary Funds

Year Ended June 30, 2015

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 231,498
Cash paid to employees for services	-133,392
Cash paid to suppliers for goods or services	-221,041
Net cash used by operating activities	<u>\$ -122,935</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 2,807
Federal grants received	119,619
Net cash provided by non-capital financing activities	<u>\$ 122,426</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 157</u>
Net decrease in cash and cash equivalents	\$ -352
Cash and cash equivalents beginning of year	<u>23,058</u>
Cash and Cash Equivalents End of Year	<u>\$ 22,706</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ -142,434
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	23,319
Depreciation	5,848
(Increase) in inventories	-1,864
Decrease in accounts receivable	586
(Decrease) in salaries and benefits payable	-140
(Decrease) in unearned revenue	-169
(Decrease) in net pension liability	-21,297
(Increase) in deferred outflows of resources	-8,644
Increase in deferred inflows of resources	21,860
Net Cash Used by Operating Activities	<u>\$ -122,935</u>

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2015, the District received \$23,319 of federal commodities.

See notes to financial statements.

Grundy Center Community School District

Statement of Fiduciary Net Position  
Fiduciary Funds

Year Ended June 30, 2015

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Cash, cash equivalents and pooled investments	\$ 1,538	\$ 2,337
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 2,337
<b>Net position</b>		
Reserved for scholarships	\$ 1,538	\$ -

See notes to financial statements.

**Grundy Center Community School District**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**

**Year Ended June 30, 2015**

	<u>Private Purpose Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 1,000
Deductions:	
Support services:	
Services	\$ -
Change in net position	\$ 1,000
Net position beginning of year	<u>538</u>
Net Position, End of Year	<u>\$ 1,538</u>

## Grundy Center Community School District

### Notes to Financial Statements

June 30, 2015

#### (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 are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the 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, Deferred Outflows of Resources, 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 except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, 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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

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

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

Capital Assets – Capital assets, which include property and 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
Intangibles	50,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50
Improvements other than buildings	20 – 50
Intangibles	5 – 10
Furniture and equipment	5 – 15

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

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

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current 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 consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

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 the preceding classifications.

E. Budgets and Budgetary Accounting

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

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

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

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

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,098 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa School Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

(3) **Inter-fund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects – Statewide Sales, Services and Use Tax	\$ 209,108
		<u>\$ 209,108</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, 2015 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 21,252	\$ 14,000	\$ -	\$ 35,252
Construction in process	680,159	91,536	771,695	-
Total capital assets not being depreciated	<u>\$ 701,411</u>	<u>\$ 105,536</u>	<u>\$ 771,695</u>	<u>\$ 35,252</u>
Capital assets being depreciated:				
Buildings	\$ 8,048,410	\$ 935,441	\$ -	\$ 8,983,851
Improvements other than buildings	629,299	6,405	-	635,704
Furniture and equipment	5,534,060	138,509	-	5,672,569
Total capital assets being depreciated	<u>\$ 14,211,769</u>	<u>\$ 1,080,355</u>	<u>\$ -</u>	<u>\$ 15,292,124</u>
Less accumulated depreciation for:				
Buildings	\$ 3,999,702	\$ 161,397	\$ -	\$ 4,161,099
Improvements other than buildings	336,971	22,976	-	359,947
Furniture and equipment	4,010,662	288,745	-	4,299,407
Total accumulated depreciation/amortization	<u>\$ 8,347,335</u>	<u>\$ 473,118</u>	<u>\$ -</u>	<u>\$ 8,820,453</u>
Total capital assets being depreciated/amortized, net	<u>\$ 5,864,434</u>	<u>\$ 607,237</u>	<u>\$ -</u>	<u>\$ 6,471,671</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,565,845</u>	<u>\$ 712,773</u>	<u>\$ 771,695</u>	<u>\$ 6,506,923</u>
	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 73,073	\$ -	\$ 935	\$ 72,138
Less accumulated depreciation	44,863	5,848	935	49,776
Business Type Activities Capital Assets, Net	<u>\$ 28,210</u>	<u>\$ 5,848</u>	<u>\$ -</u>	<u>\$ 22,362</u>

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 345,290
Special	2,497
Other	15,716

Support services:

Instructional support	19,620
Administration	14,564
Operation and maintenance of plant	23,222
Transportation	52,209

Total Depreciation Expense – Governmental Activities \$ 473,118

Business Type Activities:

Food service operations \$ 5,848

(5) **Long-term Liabilities**

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

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
<b>Governmental activities:</b>					
Revenue bonds	\$ 110,000	\$ -	\$ 110,000	\$ -	\$ -
Capital leases	185,336	-	91,406	93,930	93,930
Early retirement	406,039	422,709	104,893	723,855	163,024
Net OPEB liability	-19,813	-	18,571	-38,384	-
Net pension liability	3,106,419	-	568,911	2,537,508	-
<b>Total</b>	<u>\$ 3,787,981</u>	<u>\$ 422,709</u>	<u>\$ 893,781</u>	<u>\$ 3,316,909</u>	<u>\$ 256,954</u>
<b>Business type activities:</b>					
Net pension liability	\$ 70,171	\$ -	\$ 12,851	\$ 57,320	\$ -

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, 2015 totaled \$104,893.

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, 2015, the amount of defeased debt outstanding but removed from the Long-Term Debt amounted to \$1,875,000.

During the year ended June 30, 2015 the District made principal and interest payments totaling \$209,108 under the agreements.

(6) **Pension Plan**

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

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

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

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$344,150.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the District reported a liability of \$2,594,828 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District’s collective proportion was 0.064116 percent, which was an increase of 0.00126 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the District recognized pension expense of \$207,644. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 28,201	\$ -
Changes of assumptions	114,516	-
Net difference between projected and actual earnings on pension plan investments	-	989,593
Changes in proportion and differences between District contributions and proportionate share of contributions	57,471	-
District contributions subsequent to the measurement date	573,455	-
<b>Total</b>	<b>\$ 773,643</b>	<b>\$ 989,593</b>

\$344,150 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ 294,171
2017	294,171
2018	294,171
2019	294,171
2020	13,096
Total	<u>\$ 1,189,780</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District’s proportionate share of the net pension liability	\$4,902,855	\$2,594,828	\$646,614

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

Payables to the Pension Plan – At June 30, 2015, the District reported no payables to the defined benefit pension plan for legally required employer contributions and for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(7) **Other Postemployment Benefits (OPEB)**

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

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. 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, 2015, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$	50,113
Interest on net OPEB obligation		-892
Adjustment to annual required contribution		-
Annual OPEB cost	\$	49,221
Contributions made		-67,792
Increase in net OPEB obligation	\$	-18,571
Net OPEB obligation beginning of year		-19,813
Net OPEB obligation end of year	\$	-38,384 *
*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, 2015.

For the year ended June 30, 2015, the District contributed \$664,935 to the medical plan. Plan members eligible for benefits contributed \$27,725, or 4.0% 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
June 30, 2015	\$50,113	135.20%	-\$38,384

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$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 \$3,420,447 and the ratio of the UAAL to covered payroll was 9.25%. As of June 30, 2015, there were no trust fund assets.

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

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

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 \$265,693 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Categorical Funding**

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

Program	Amount
Home School Assistance	\$ 3,707
Dropout Prevention	42,184
Iowa Early	22,390
Early literacy	2,914
Teacher Leadership	3,038
Core	2,256
Professional Development	17,186
Total	\$ 93,675

(11) **Subsequent Events**

The District has evaluated subsequent events through March 9, 2016 which is the date that the financial statement were available to be issued.

(12) **Prior Period Adjustments**

The General Fund had a \$4,332 prior period adjustment.

(13) **Deficit Balances**

Fifteen student activity accounts had deficit balances at June 30, 2015.

(14) **Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities
Net position June 30, 2014, as previously reported	\$ 8,298,311	\$ 50,451
Net pension liability at June 30, 2014	-3,480,298	-78,617
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	373,879	8,446
Net position July 1, 2014, as restated	\$ 5,191,892	\$ -19,720

**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, 2015**

	Governmental Funds Actual	Proprietary Funds Actual
Revenues:		
Local sources	\$ 3,917,755	\$ 231,237
Intermediate sources	-	-
State sources	4,223,441	2,807
Federal sources	521,453	142,938
Total Revenues	<u>\$ 8,662,649</u>	<u>\$ 376,982</u>
Expenditures/Expenses:		
Instruction	\$ 4,955,964	\$ -
Support services	2,328,378	2,290
Non-instructional programs	3,426	371,224
Other expenditures	1,311,968	-
Total Expenditures/Expenses	<u>\$ 8,599,736</u>	<u>\$ 373,514</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	\$ 62,913	\$ 3,468
Other financing sources, net	<u>2,071</u>	<u>-</u>
Excess (deficiency) of revenue and other financing sources over (under) expenditures/expenses and other financing sources	<u>\$ 64,984</u>	<u>\$ 3,468</u>
Balances beginning of year	\$ 2,166,018	\$ 50,451
Prior period adjustment	4,332	-70,171
Adjusted balances beginning of year	<u>\$ 2,170,350</u>	<u>\$ -19,720</u>
Balances End of Year	<u>\$ 2,235,334</u>	<u>\$ -16,252</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amount		Final to Actual Variance
		Original	Final	
\$	4,148,992	\$ 4,284,934	\$ 4,284,934	\$ -135,942
	-	-	-	
	4,226,248	3,753,323	3,753,323	472,925
	664,391	230,000	230,000	434,391
\$	9,039,631	\$ 8,268,257	\$ 8,268,257	\$ 771,374
\$	4,955,964	\$ 5,335,000	\$ 5,335,000	\$ 379,036
	2,330,668	2,595,800	2,595,800	265,132
	374,650	340,000	375,000	350
	1,311,968	1,230,084	1,500,000	188,032
\$	8,973,250	\$ 9,500,884	\$ 9,805,800	\$ 832,550
\$	66,381	\$ -1,232,627	\$ -1,537,543	\$ 1,603,924
	2,071	-	-	2,071
\$	68,452	\$ -1,232,627	\$ -1,537,543	\$ 1,605,995
\$	2,216,469	\$ 2,175,947	\$ 2,175,947	\$ 40,522
	-65,839	-	-	-65,839
\$	2,150,630	\$ 2,175,947	\$ 2,175,947	\$ -25,317
\$	2,219,082	\$ 943,320	\$ 638,404	\$ 1,580,678

**Grundy Center Community School District**

**Notes to Required Supplementary Information – Budgetary Reporting**

**Year Ended June 30, 2015**

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$304,916.

**Grundy Center Community School District**

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

**Iowa Public Employees' Retirement System  
Last Fiscal Year\***

**Required Supplementary Information**

	<u>2015</u>
District's proportion of the net pension liability	0.064116
District's proportionate share of the net pension liability	\$ 2,594,828
District's covered-employee payroll	\$ 3,853,868
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	67.33%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

See accompanying independent auditor's report.

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

**Grundy Center Community School District**

**Schedule of District Contributions**

**Iowa Public Employees' Retirement System  
Last 10 Fiscal Years**

**Required Supplementary Information**

	2015	2014	2013	2012	2011
Statorily required contribution	\$ 344,150	\$ 382,548	\$ 333,261	\$ 311,139	\$ 261,941
Contributions in relation to the statorily required contribution	-344,150	-382,548	-333,261	-311,139	261,941
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 3,853,868	\$ 4,283,852	\$ 3,843,841	\$ 3,855,502	\$ 3,768,935
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%

See accompanying independent auditor's report.

2010	2009	2008	2007	2006
\$ 228,964	\$ 217,318	\$ 199,191	\$ 177,311	\$ 170,603
-228,964	-217,318	-199,191	-177,311	-170,603
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 3,443,068	\$ 3,422,331	\$ 3,292,413	\$ 3,083,670	\$ 2,967,009
6.65%	6.35%	6.05%	5.75%	5.75%

## Grundy Center Community School District

### Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

#### Changes of benefit terms:

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

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

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

#### Changes of assumptions:

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

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

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

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

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

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

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

**Grundy Center Community School District**

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

**Required Supplementary Information**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$-	\$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%
2015	July 1, 2012	\$-	\$370	\$370	-	\$3,420	9.25%

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, 2015

	Special Revenue		
	Management	Student Activity	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 269,208	\$ 63,873	\$ 333,081
Accrued interest	-	264	264
Receivables:			
Property Tax:			
Delinquent	3,477	-	3,477
Succeeding year	375,000	-	375,000
<b>Total Assets</b>	<b>\$ 647,685</b>	<b>\$ 64,137</b>	<b>\$ 711,822</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 1,551	\$ 1,551
Salaries and benefits payable	-	864	864
Total liabilities	\$ -	\$ 2,415	\$ 2,415
<b>Deferred inflows of resources:</b>			
Succeeding year property tax	\$ 375,000	\$ -	\$ 375,000
Total deferred inflows of resources	\$ 375,000	\$ -	\$ 375,000
<b>Fund Balances:</b>			
Restricted for:			
Management levy purposes	\$ 272,685	\$ -	\$ 272,685
Student activities	-	61,722	61,722
Total fund balances	\$ 272,685	\$ 61,722	\$ 334,407
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 647,685</b>	<b>\$ 64,137</b>	<b>\$ 711,822</b>

**Grundy Center Community School District**  
**Combining Schedule of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Non-Major Governmental Funds**

Year Ended June 30, 2015

	Special Revenue			
	Debt Service	Management	Student Activity	Total
Revenues:				
Local Sources:				
Local tax	\$ -	\$ 250,121	\$ -	\$ 250,121
Other	-	22,564	283,866	306,430
State sources	-	2,188	-	2,188
Total Revenues	<u>\$ -</u>	<u>\$ 274,873</u>	<u>\$ 283,866</u>	<u>\$ 558,739</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ -	\$ 147,399	\$ -	\$ 147,399
Other instruction	-	-	304,922	304,922
Support Services:				
Student services	-	594	-	594
Administration services	-	17,193	-	17,193
Operation and maintenance of plant services	-	36,662	-	36,662
Transportation services	-	12,193	-	12,193
Non-instructional programs	-	3,426	-	3,426
Other Expenditures:				
Long-term debt:				
Principal	201,406	-	-	201,406
Interest and fiscal charges	7,702	-	-	7,702
Total Expenditures	<u>\$ 209,108</u>	<u>\$ 217,467</u>	<u>\$ 304,922</u>	<u>\$ 731,497</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -209,108	\$ 57,406	\$ -21,056	\$ -172,758
Other financing sources (uses):				
Transfer in	209,108	-	-	209,108
Change in fund balances	\$ -	\$ 57,406	\$ -21,056	\$ 36,350
Fund balances beginning of year	-	215,279	82,778	298,057
Fund Balances End of Year	<u>\$ -</u>	<u>\$ 272,685</u>	<u>\$ 61,722</u>	<u>\$ 334,407</u>

See accompanying independent auditor's report.

## Grundy Center Community School District

Combining Balance Sheet  
Capital Project Accounts

June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 329,817	\$ 81,320	\$ 411,137
Receivables:			
Accounts	-	10,050	10,050
Property Tax:			
Delinquent	-	4,619	4,619
Succeeding year	-	350,184	350,184
Due from other governments	91,890	-	91,890
<b>Total assets</b>	<b>\$ 421,707</b>	<b>\$ 446,173</b>	<b>\$ 867,880</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	\$ 23,520	\$ 23,520
Total liabilities	\$ -	\$ 23,520	\$ 23,520
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	\$ -	\$ 350,184	\$ 350,184
Total deferred inflows of resources	\$ -	\$ 350,184	\$ 350,184
Fund Balances:			
Restricted for:			
School infrastructure	\$ 421,707	\$ -	\$ 421,707
Physical plant and equipment	-	72,469	72,469
Total fund balances	\$ 421,707	\$ 72,469	\$ 494,176
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 421,707</b>	<b>\$ 446,173</b>	<b>\$ 867,880</b>

**Grundy Center Community School District**  
**Combining Schedule of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Capital Project Accounts**

**Year Ended June 30, 2015**

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local Sources:			
Local tax	\$ -	\$ 344,114	\$ 344,114
Other	594	14,176	14,770
State sources	585,902	44,544	630,446
Federal sources	-	312,311	312,311
Total Revenues	<u>\$ 586,496</u>	<u>\$ 715,145</u>	<u>\$ 1,301,641</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ -	\$ 10,050	\$ 10,050
Support services:			
Instructional staff services	7,263	63,496	70,759
Administration services	-	30,997	30,997
Operation and maintenance of plant services	46,034	35,294	81,328
Other Expenditures:			
Facilities acquisition	315,430	521,737	837,167
Total Expenditures	<u>\$ 368,727</u>	<u>\$ 661,574</u>	<u>\$ 1,030,301</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 217,769</u>	<u>\$ 53,571</u>	<u>\$ 271,340</u>
Other Financing Sources (Uses):			
Operating transfers out	<u>\$ -209,108</u>	<u>\$ -</u>	<u>\$ -209,108</u>
Change in fund balances	\$ 8,661	\$ 53,571	\$ 62,232
Fund balances beginning of year	413,046	18,898	431,944
Fund Balances End of Year	<u>\$ 421,707</u>	<u>\$ 72,469</u>	<u>\$ 494,176</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, 2015

Account	Balance Beginning Of Year	Revenues	Expenditures	Intra-fund Transfers	Balance End of Year
Student activity ticket sales	\$ 71	\$ 12,155	\$ 10,368	\$ -	\$ 1,858
Class of 2014	585	-	-	-	585
Class of 2015	1,202	311	1,266	-	247
Class of 2016	1,933	4,979	3,750	-	3,162
Class of 2017	734	270	-	-	1,004
Class of 2018	480	387	-	-	867
Class of 2019	143	507	-	-	650
Dance team	57	10,876	15,945	-	-5,012
Vocal music/GC Jazz	-	2,716	1,843	-	873
Drama	1,352	2,621	1,288	-	2,685
Elementary vocal music	1,749	214	-	-	1,963
Annual	-	5,705	13,434	-	-7,729
Band	9,121	2,984	1,927	-	10,178
Middle School student senate	2,137	-	114	-	2,023
National Honor Society	-	114	435	-	-321
High School student senate	3,774	2,934	2,957	-	3,751
Art club	1,297	954	195	-	2,056
TAG club	7,849	2,500	1,867	-	8,482
Middle School fund	11,137	19,022	16,987	350	13,522
Elementary student senate	13,794	41,381	29,682	-	25,493
FFA	3,416	13,329	14,230	-	2,515
Girls softball	-	3,630	3,533	-	97
Boys basketball	2,251	18,257	16,610	-	3,898
Football	122	24,193	32,224	-	-7,909
Boys baseball	-	8,069	9,957	-	-1,888
Boys track	51	8,029	9,826	-	-1,746
Boys tennis	-	228	30	-	198
Boys golf	596	391	1,424	-	-437
Athletics-general	422	3,049	6,207	-	-2,736
Music fundraiser	2,156	10,193	7,990	-	4,359
Speech	971	409	234	-	1,146
Greenhouse account	896	284	914	-	266
Germany exchange program	-	12,005	10,719	-	1,286
Cross country	-	4,797	3,890	-	907
Ultimate mileage vehicle club	825	2,139	2,685	-	279
Spirit force	-	3,327	1,801	421	1,947
Spanish club	10	-	-	-	10
Nurse's fund	2,019	212	379	-771	1,081

## Grundy Center Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2015

Account	Balance Beginning Of Year	Revenues	Expenditures	Intra-fund Transfers	Balance End of Year
MS Read Across America	\$ 4,641	\$ 110	\$ 897	\$ -	\$ 3,854
Concessions	3,384	24,428	29,619	-	-1,807
Wrestling	470	-	750	-	-280
Girls basketball	92	6,607	11,499	-	-4,800
Girls volleyball	2,875	14,855	17,417	-	313
Girls track	-	7,713	9,268	-	-1,555
Girls tennis	166	-	30	-	136
Girls golf	-	253	1,446	-	-1,193
Cheerleaders	-	4,890	6,610	-	-1,720
Academic Decathlon	-	1,839	2,675	-	-836
Totals	\$ 82,778	\$ 283,866	\$ 304,922	\$ -	\$ 61,722

## Grundy Center Community School District

Schedule of Changes in Fiduciary Assets and Liabilities –  
Agency Funds

Year ended June 30, 2015

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 2,814	\$ 1,358	\$ 1,835	\$ 2,337
<b>Total Assets</b>	<u>\$ 2,814</u>	<u>\$ 1,358</u>	<u>\$ 1,835</u>	<u>\$ 2,337</u>
<b>Liabilities</b>				
Accounts payable	\$ 2,814	\$ 1,358	\$ 1,835	\$ 2,337
<b>Total Liabilities</b>	<u>\$ 2,814</u>	<u>\$ 1,358</u>	<u>\$ 1,835</u>	<u>\$ 2,337</u>

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			
	2015	2014	2013	2012
<b>Revenues:</b>				
<b>Local Sources:</b>				
Local tax	\$ 2,921,365	\$ 3,816,382	\$ 3,502,671	\$ 3,536,469
Tuition	451,134	356,518	305,021	307,834
Other	545,256	580,454	501,538	576,372
Intermediate sources	-	-	-	-
State sources	4,223,441	3,665,588	3,851,115	3,486,549
Federal sources	521,453	427,916	183,074	131,917
<b>Total</b>	<b>\$ 8,662,649</b>	<b>\$ 8,846,858</b>	<b>\$ 8,343,419</b>	<b>\$ 8,039,141</b>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Regular instruction	\$ 3,121,143	\$ 3,367,818	\$ 3,187,514	\$ 2,743,343
Special instruction	747,021	737,569	786,534	876,095
Other instruction	1,087,800	1,097,517	782,323	1,058,059
<b>Support services:</b>				
Student services	147,427	177,338	157,766	136,585
Instructional staff services	471,178	510,309	444,362	461,420
Administrative services	783,033	829,801	706,534	757,404
Operation and maintenance of plant services	667,564	636,135	692,484	509,856
Transportation services	259,176	351,815	270,089	286,690
Non-instructional programs	3,426	2,711	2,000	2,000
<b>Other expenditures:</b>				
Facilities acquisition	837,167	796,565	182,895	308,045
<b>Long-term debt:</b>				
Principal	201,406	281,499	394,413	696,892
Interest and other charges	7,702	9,690	21,271	40,422
AEA flow-through	265,693	264,466	258,401	249,030
<b>Total</b>	<b>\$ 8,599,736</b>	<b>\$ 9,063,233</b>	<b>\$ 7,886,586</b>	<b>\$ 8,125,841</b>

See accompanying independent auditor's report.

Modified Accrual Basis					
2011	2010	2009	2008	2007	2006
\$ 3,329,757	\$ 3,189,115	\$ 3,072,240	\$ 2,654,620	\$ 2,501,957	\$ 2,458,970
303,305	325,993	337,417	369,437	415,217	399,585
639,840	635,260	787,170	940,856	873,250	748,472
-	-	-	-	-	-
3,150,832	2,755,430	3,065,231	3,022,179	2,705,942	2,659,509
305,181	497,180	204,403	233,811	251,312	356,802
<u>\$ 7,728,915</u>	<u>\$ 7,402,978</u>	<u>\$ 7,466,461</u>	<u>\$ 7,220,903</u>	<u>\$ 6,747,678</u>	<u>\$ 6,623,338</u>
\$ 3,031,483	\$ 2,810,790	\$ 2,668,124	\$ 2,582,004	\$ 2,554,867	\$ 2,595,156
731,225	836,216	782,801	642,618	669,725	641,467
1,082,556	1,063,960	1,031,035	836,894	837,722	869,596
72,465	69,243	114,657	105,105	95,360	103,293
309,405	235,957	180,266	220,406	252,287	261,425
680,854	711,820	693,604	657,058	605,127	571,840
544,323	550,877	580,021	680,273	528,455	535,578
332,743	240,659	309,105	209,682	185,824	250,452
1,500	1,500	1,500	1,500	-	-
243,170	384,328	788,163	248,636	302,643	253,858
662,979	464,119	435,082	489,586	444,816	393,851
59,411	86,488	77,051	87,956	117,043	158,870
271,850	267,032	222,659	215,321	194,979	186,044
<u>\$ 8,023,964</u>	<u>\$ 7,722,989</u>	<u>\$ 7,884,068</u>	<u>\$ 6,977,039</u>	<u>\$ 6,788,848</u>	<u>\$ 6,821,430</u>

**Grundy Center Community School District**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2015**

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	FY15	\$ 21,873
National School Lunch Program	10.555	FY15	121,065
			<u>\$ 142,938</u>
US Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY15	\$ 56,730
Career and Technical Education – Basic Grants to States	84.048	FY15	\$ 3,987
Improving Teacher Quality State Grants	84.367	FY15	\$ 13,312
Grants for State Assessment and Related Activities	84.369	FY15	\$ 3,300
Area Education Agency 267:			
Special Education – Grants to States	84.027	FY15	\$ 28,878
U.S. Department of Homeland Security:			
Iowa Department of Education:			
Hazard Mitigation Grants	97.039	FY15	\$ 312,311
Total			<u>\$ 561,456</u>

\* - Includes \$23,319 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, 2015, and the related Notes to Financial Statements which collectively comprise the District's basic financial statements, and have issued my report thereon dated March 9, 2016.

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 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 a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies described in Part I of the accompanying Schedule of Findings as items 2015-001 through 2015-006 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item 2015-007 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, 2015 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.

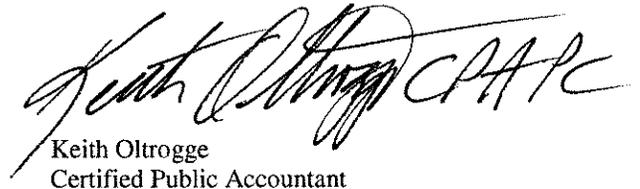
### Grundy Center Community School District's Responses to the Findings

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 9, 2016

**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, 2015. 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, 2015.

## 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 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 a 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 2015-008 and 2015-009 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 the responses.

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 9, 2016

**Grundy Center Community School District**

**Schedule of Findings**

**Year Ended June 30, 2015**

**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 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, 2015

**Part II – Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

2015-001 Internal Controls – One of the most important responsibilities of the District is to maintain a system of internal control for efficient operation. The District's Board of Directors is responsible for making policies and procedures that safeguard District assets, ensure District financial information is accurate, ensure employees are complying with laws and regulations pertinent to the District and discipline employees that choose not to comply with board policies and procedures.

The successful operation of the District's internal control is dependent upon having sufficient and properly trained management and personnel to ensure that the policies and procedures formed by the Board of Directors are being followed. Based on my audit it appears the District's internal control structure had several breakdowns, some of which are apparent in the comments that follow in the remainder of this report.

Recommendation – The District's Board of Directors and management staff should review policies and procedures in place and evaluate the effectiveness of internal controls currently in place. Changes in the internal control structure will have to be made for the District to gain full effectiveness of internal control. Additional training may be necessary to achieve this goal.

Response and Corrective Action Plan – The Board of Directors and management will review and evaluate effectiveness of the policies and procedures in place; develop new policies and procedures, where necessary; and determine changes that need to be made to assure a proper, reliable and efficient system of internal controls are in place. Educating staff on the importance of internal controls will be provided by the Superintendent.

Conclusion – Response acknowledged.

2015-002 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 – We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

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

Conclusion – Response accepted.

Grundy Center Community School District

Schedule of Findings

Year Ended June 30, 2015

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

**INTERNAL CONTROL DEFICIENCIES:**

2015-003 Disbursement Approval – For 23 of 27 general and nutrition fund and 7 of 19 activity fund disbursements, along with 10 of 10 capital project fund expenditures tested, there was no evidence to document the date the Superintendent approved the disbursements and expenditures.

Recommendation – The District should ensure all disbursements and 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 disbursements and expenditures are properly approved and maintained documentation of the approval.

Conclusion – Response acknowledged.

2015-004 Disbursements – I noted five instances of checks being written without an invoice or supporting documentation. I also noted the credit card payments made online did not match the detail in the general ledger. The general ledger only had one entry per month even though there were multiple payments made.

Recommendation – The District should review their procedures to ensure 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 supporting documentation other than the invoice. The general ledger is supposed to be an accurate history of the District’s financial transactions. Each payment should be entered individually.

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

Conclusion – Response acknowledged.

2015-005 Payroll – I noted the following during my review and testing of the District’s payroll:

1 of 12 employees tested were not paid at the contract amount.

Recommendation – An independent person should review the salary amounts in the computer software each time the amounts are changed.

Response and Corrective Action Plan – We will review our payroll procedures.

Conclusion – Response accepted

**Grundy Center Community School District**

**Schedule of Findings**

**Year Ended June 30, 2015**

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

**INTERNAL CONTROL DEFICIENCIES:**

2015-006 Financial Reporting – During the audit, I identified 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 AEAs.

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

Conclusion – Response acknowledged.

2015-007 Annual Financial Statements – The ability to apply U.S. 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. 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 is a control deficiency 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.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Grundy Center Community School District

Schedule of Findings

Year Ended June 30, 2015

**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**  
**Federal Award Year: 2015**  
**U.S. Department of Agriculture**  
**Passed through the Iowa Department of Education**

**CFDA Number 97.039: Hazard Mitigation Grant**  
**Federal Award Year: 2015**  
**U.S. Department of Homeland Security**  
**Passed through the Iowa Department of Education**

2015-008 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.

2015-009 Disbursement Approval – For 22 of 27 general and nutrition fund and 7 of 19 activity 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, 2015

**Part IV - Other Findings Related to Required Statutory Reporting:**

IV-A-15 Certified Budget – Expenditures for the year ended June 30, 2015 did not exceed the amended certified budget.

IV-B-15 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	Coaches meals	\$256.80
MasterCard	Donuts for administrative meeting	\$5.96
MasterCard	Retirement bells	\$225.60
MasterCard	Personal purchase – pop	\$1.75
MasterCard	Retiree bells	\$135.80
MasterCard	Personal charges	\$30.62
MasterCard	Late fee	\$53.61
Delage Landen	Late fee	\$117.50
Employee	Cakes for retirement party	\$90.00

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.

Response – The Board will document public purpose for retirement gifts if they choose to continue this practice in the future.

Conclusion – Response acknowledged.

IV-C-15 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

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

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

Grundy Center Community School District

Schedule of Findings

Year Ended June 30, 2015

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

IV-F-15 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.

Closed Sessions – I noted instances where the Board entered closed sessions during District meetings, but did not identify and document the specific exemption allowed under Chapter 21.5 of the Code of Iowa. By documenting roll call voting was done.

Recommendation – The District should identify the specific exemption for entering a closed session, and document the exemption allowed under Chapter 21.5 of the Code of Iowa in the District's board minutes.

Response – In the District's board minutes will indicate roll call votes for all closed sessions in the future.

Conclusion – Response accepted.

Board Approval – I noted 8 of 27 general fund and 1 of 19 activity fund transactions requiring the Board approval which were not approved by the Board.

Recommendation – The District should ensure the Board approves all disbursements before they are made.

Response – The District will increase monitoring of disbursements and approval by the Board.

Conclusion – Response accepted.

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

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

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

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

IV-K-15 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, 2015**

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

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

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

Beginning balance		\$	413,046
Revenues/transfers in:			
Sales tax revenues	\$	585,902	
Other local revenues		594	586,496
			<hr/>
		\$	999,542
Expenditures/transfers out:			
Equipment	\$	46,034	
School infrastructure		315,430	
Other		7,263	
Transfers to other funds:			
Debt service fund		209,108	577,835
			<hr/>
Ending balance		\$	<u>421,707</u>

For the year ended June 30, 2015, 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	\$ -	\$ 585,902
Physical plant and equipment levy (PPEL)	-	279,432
Public educational and recreational levy (PERL)	-	-
Total		<hr/> <u>\$ 865,334</u>

IV-M-15 Physical Plant and Equipment Levy (PPEL) Expenditures – I noted during my audit that the District made purchases from the PPEL Fund which did not appear to be in compliance with Chapter 423 and 298.3 of the Code of Iowa. These expenditures were corrected to the proper fund before year end.

Recommendation – Inappropriate uses of the PPEL Fund include any other purpose not expressly authorized in the Iowa Code. The District should review Chapter 423 and Chapter 289 of the Code of Iowa for the allowability of expenditures from the PPEL Fund.

Response – The District will review Chapter 423 and 298 of the Code of Iowa.

Conclusion – Response accepted.

Grundy Center Community School District

Schedule of Findings

Year Ended June 30, 2015

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

IV-N-15 Form 1099 – I noted that not all required 1099 forms were done.

Recommendation – The District should review the calendar year vendor history report for possible 1099s for independent contractor payments over \$600 to comply with federal regulations.

Response – We will review the vendor history list at year end and prepare 1099s as required.

Conclusion – Response accepted.

IV-O-15 Deficit Balances – Fifteen student activity accounts had deficit balances at June 30, 2015.

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

Response – The District is continuing to investigate alternatives to eliminate these deficits in the student activity accounts at the end of the fiscal year.

Conclusion – Response accepted.

IV-P-15 Sales Tax – Sales tax was paid by the District on four disbursements tested.

Recommendation – Supporting documentation should be reviewed carefully before disbursements are made.

Response – Some companies will not deal with sales tax exemptions. The District will make every effort to make sure that we do not pay sales tax unless absolutely necessary.

Conclusion – Response acknowledged.

IV-Q-15 Student Activity Fund – Account balances remain for previously graduated classes.

Recommendation – The District should transfer previously graduated class funds to other activities.

Response – We will reallocate these activities.

Conclusion – Response accepted.

**Grundy Center Community School District**  
**Summary Schedule of Prior Federal Audit Findings**  
**Year Ended June 30, 2015**

Comment Reference	Comment Title	Status	If not corrected, provide planned corrective action or other explanation
2014-001	Segregation of Duties	Not corrected	Plans to review and implement new procedures when possible