

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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Guthrie Center Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Melia VanMeter	President	2017
Tim Benson	Vice President	2015
Keith Buttler	Board Member	2015
Wanda Knobbe	Board Member	2015
Wes Policky	Board Member	2017
School Officials		
Steve Smith	Superintendent	2015
Joni Rees	District Secretary/Treasurer and Business Manager	2015
Rick Engel	Attorney	2015

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(A Professional Corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Guthrie Center Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2016 on our consideration of Guthrie Center Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Guthrie Center Community School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Guthrie 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 \$5,271,177 in fiscal year 2014 to \$5,270,509 in fiscal year 2015, while General Fund expenditures decreased from \$5,638,038 in fiscal year 2014 to \$5,573,107 in fiscal year 2015. The District's General Fund balance decreased from \$1,440,148 at June 30, 2014 to \$1,137,550 at June 30, 2015, a 21.01% decrease.
- The decrease in General Fund revenues was attributable to a decrease in local tax sources received as compared to the previous year. The decrease in expenditures was due primarily to the decrease in expenditures incurred in the support services functional area.

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 Guthrie 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 Guthrie Center Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Guthrie Center Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

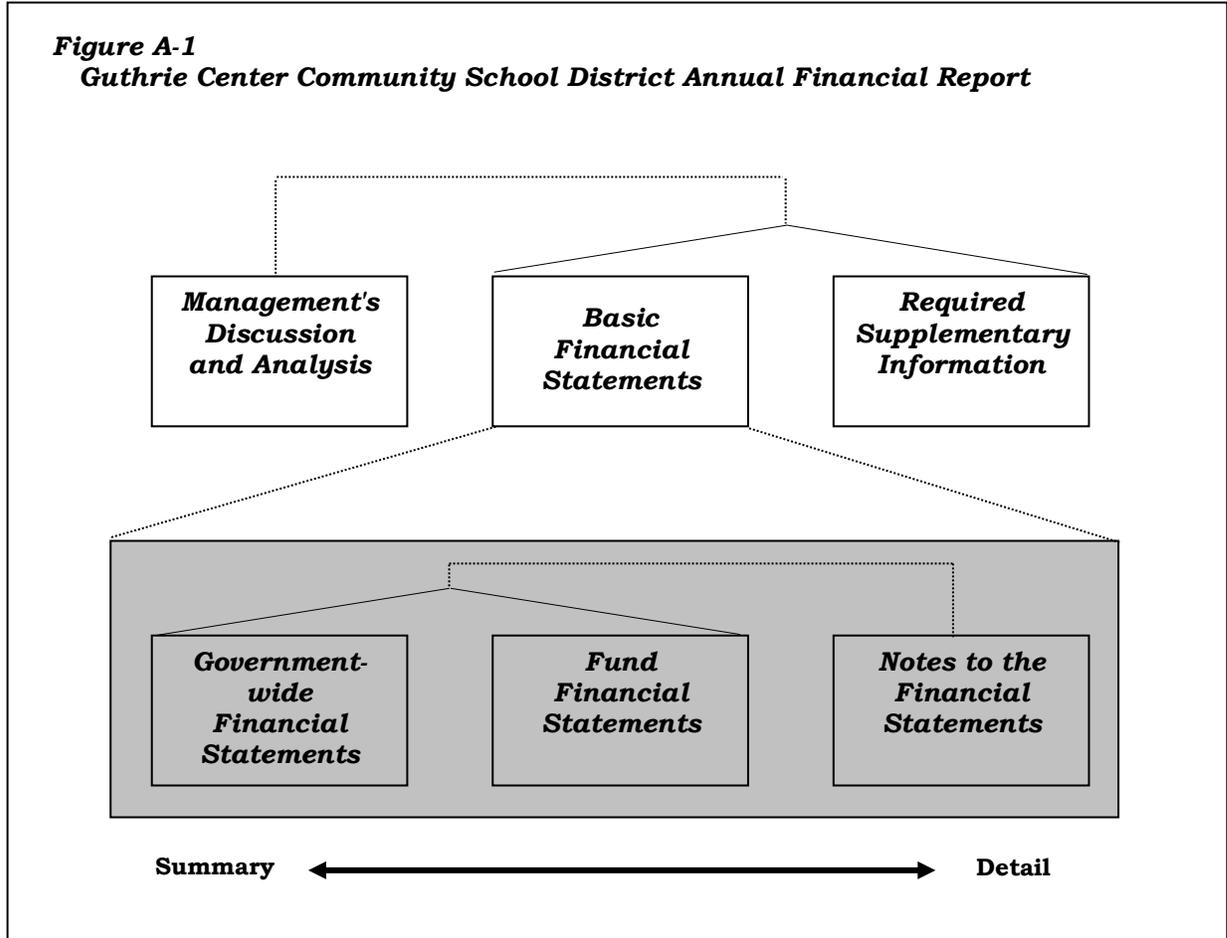


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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 service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period.
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net position and how 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 that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

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

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

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

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

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

3) Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Private Purpose Trust.

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

The District is responsible for ensuring that 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 the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

Reconciliation 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,	
	2014		2014		2014		2014-15
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	
Current and other assets	\$ 5,386,241	5,330,108	123,262	93,130	5,509,503	5,423,238	1.59%
Capital assets	5,701,762	5,931,950	34,711	39,832	5,736,473	5,971,782	-3.94%
Total assets	11,088,003	11,262,058	157,973	132,962	11,245,976	11,395,020	-1.31%
Deferred outflows of resources	549,925	-	14,868	-	564,793	-	100.00%
Long-term liabilities	5,605,687	3,780,154	53,633	-	5,659,320	3,780,154	49.71%
Other liabilities	739,468	649,349	19,949	16,398	759,417	665,747	14.07%
Total liabilities	6,345,155	4,429,503	73,582	16,398	6,418,737	4,445,901	44.37%
Deferred inflows of resources	2,581,048	1,590,874	20,454	-	2,601,502	1,590,874	63.53%
Net position:							
Net investment in capital assets	2,241,762	2,321,950	34,711	39,832	2,276,473	2,361,782	-3.61%
Restricted	1,611,545	1,554,814	-	-	1,611,545	1,554,814	3.65%
Unrestricted	(1,141,582)	1,364,917	44,094	76,732	(1,097,488)	1,441,649	-176.13%
Total net position	\$ 2,711,725	5,241,681	78,805	116,564	2,790,530	5,358,245	-47.92%

The District's combined net position decreased by 47.92%, or approximately \$2,567,715 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), net of 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 increased approximately \$56,731 or 3.65% from the prior year. The increase in restricted net position is mainly attributable to the increase in the fund balance of the Capital Projects Fund as compared to the previous year.

Unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased approximately \$2,539,137, or 176.13%. The decrease in unrestricted net position was due primarily to the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$2,338,185 and \$62,416, 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 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		2014		2014		2014-15
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	
Revenues:							
Program revenues:							
Charges for service	\$ 964,803	931,061	165,562	170,190	1,130,365	1,101,251	2.64%
Operating grants, contributions and restricted interest	478,183	471,748	158,123	161,830	636,306	633,578	0.43%
Capital grants, contributions and restricted interest	-	3,605	-	-	-	3,605	-100.00%
General revenues:							
Property tax	1,599,742	1,678,573	-	-	1,599,742	1,678,573	-4.70%
Income surtax	200,930	202,236	-	-	200,930	202,236	-0.65%
Statewide sales, services and use tax	437,817	410,270	-	-	437,817	410,270	6.71%
Unrestricted state grants	2,529,615	2,431,617	-	-	2,529,615	2,431,617	4.03%
Unrestricted investment earnings	3,814	4,241	10	6	3,824	4,247	-9.96%
Other	7,141	4,481	-	-	7,141	4,481	59.36%
Total revenues	6,222,045	6,137,832	323,695	332,026	6,545,740	6,469,858	1.17%
Program expenses:							
Instruction	3,993,938	4,058,290	-	-	3,993,938	4,058,290	-1.59%
Support services	1,746,249	1,974,481	2,388	1,981	1,748,637	1,976,462	-11.53%
Non-instructional programs	5,357	6,871	296,650	290,728	302,007	297,599	1.48%
Other expenditures	668,272	672,020	-	-	668,272	672,020	-0.56%
Total expenses	6,413,816	6,711,662	299,038	292,709	6,712,854	7,004,371	-4.16%
Change in net position	(191,771)	(573,830)	24,657	39,317	(167,114)	(534,513)	-68.74%
Net position beginning of year, as restated	2,903,496	5,815,511	54,148	77,247	2,957,644	5,892,758	-49.81%
Net position end of year	\$ 2,711,725	5,241,681	78,805	116,564	2,790,530	5,358,245	-47.92%

In fiscal year 2015, property tax and unrestricted state grants accounted for 66.37% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for nearly all of the revenue from business type activities.

The District's total revenues were approximately \$6.54 million of which approximately \$6.22 million was for governmental activities and approximately \$0.32 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 1.17% in revenues and a 4.16% decrease in expenses. The decrease in expenses occurred mainly in the support services functional area.

Governmental Activities

Revenues for governmental activities were \$6,222,045 and expenses were \$6,413,816 for the year ended June 30, 2015.

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

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	\$ 3,993,938	4,058,290	-1.59%	2,808,807	2,949,178	-4.76%
Support services	1,746,249	1,974,481	-11.56%	1,680,352	1,866,744	-9.98%
Non-instructional	5,357	6,871	-22.03%	5,357	6,871	-22.03%
Other expenses	668,272	672,020	-0.56%	476,314	482,455	-1.27%
Total	\$ 6,413,816	6,711,662	-4.44%	4,970,830	5,305,248	-6.30%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$964,803.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$478,183.
- The net cost of governmental activities was financed with \$1,599,742 in property tax, \$200,930 in income surtax, \$437,817 in statewide sales, services and use tax, \$2,529,615 in unrestricted state grants, \$3,814 in interest income and \$7,141 in other general revenues.

Business Type Activities

Revenues of the District's business type activities for the year ended June 30, 2015 totaled \$323,695 and expenses were \$299,038. 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, the Guthrie Center Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balances of \$2,716,055, below last year's ending fund balance of \$3,020,680. The primary reason for this decrease in combined fund balance is due to the decrease in fund balance of the General Fund.

Governmental Fund Highlights

- The District's General Fund balance decreased from \$1,440,148 at June 30, 2014 to \$1,137,550 at June 30, 2015. The fluctuation in the District's General Fund financial position is the product of many factors. Decreases in local tax sources received during the year as compared to the prior year led to a decrease in revenues. The decrease in expenditures was due to the decrease in support services expenditures. Total expenditures outpaced total revenues for the year ensuring a decrease in ending fund balance.
- The Debt Service Fund balance increased from \$532,113 at June 30, 2014 to \$544,865 at June 30, 2015. The increase in fund balance was due to increased sinking fund requirements for future principal and interest payments on the District's revenue bonded indebtedness.
- The Capital Projects Fund balance increased from \$849,887 at June 30, 2014 to \$958,590 at June 30, 2015. The increase was due primarily to a decrease in capital outlay expenditures incurred during the year as compared to the prior year.

Proprietary Fund Highlights

- The School Nutrition Fund net position increased from \$54,148 restated at July 1, 2014 to \$78,805 at June 30, 2015, representing an increase of 45.54%. Although revenues decreased slightly, the District was able to limit expenses to generate an increase in net position.

BUDGETARY HIGHLIGHTS

The District's revenues were \$122,065 more than budgeted revenues, a variance of 1.91%. The most significant variance resulted from the District receiving more in state source revenues than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and non-instructional programs functional areas.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$5,736,473, 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 amount represents a net decrease of 3.94% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$456,795.

The original cost of the District's capital assets was \$11,456,909. Governmental funds account for \$11,348,040 with the remaining of \$108,869 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$331,211 at June 30, 2014, compared to \$422,891 at June 30, 2015. The District purchased a new bus and two new vans during the year leading to the increase in machinery and equipment.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	2014-15
Land	\$ 49,800	49,800	-	-	49,800	49,800	0.00%
Buildings	4,435,910	4,694,440	-	-	4,435,910	4,694,440	-5.51%
Land improvements	827,872	896,331	-	-	827,872	896,331	-7.64%
Machinery and equipment	388,180	291,379	34,711	39,832	422,891	331,211	27.68%
Total	\$ 5,701,762	5,931,950	34,711	39,832	5,736,473	5,971,782	-3.94%

Long-Term Debt

At June 30, 2015, the District had \$5,659,320 in long-term debt outstanding. This represents an increase of 49.71% from last year. (See Figure A-7) Of the total long-term debt remaining, \$165,000 is due within one year. More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding revenue bonds of \$3,460,000 at June 30, 2015, payable from the Capital Projects: Statewide, Sales, Services and Use Tax Fund.

The District had total net pension liability of \$2,062,799 at June 30, 2015. Of this, \$2,009,166 is attributable to governmental activities with the remaining \$53,633 attributable to the business type activities of the District.

The District had a net OPEB liability of \$136,521 as of June 30, 2015.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2015	June 30, 2014 (Not restated)	June 30, 2015	June 30, 2014 (Not restated)	June 30, 2015	June 30, 2014 (Not restated)	2014-15
Revenue bonds	\$ 3,460,000	3,610,000	-	-	3,460,000	3,610,000	-4.16%
Termination Benefits	-	57,955	-	-	-	57,955	-100.00%
Net pension liability	2,009,166	-	53,633	-	2,062,799	-	100.00%
Net OPEB liability	136,521	112,199	-	-	136,521	112,199	21.68%
Total	\$ 5,605,687	3,780,154	53,633	-	5,659,320	3,780,154	49.71%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has experienced declining enrollment for the last several years and the District expects this trend to continue in the future.
- The Affordable Health Care Act is having a negative impact causing a forced increase in benefit costs.

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 Joni Rees, District Secretary/Treasurer and Business Manager, Guthrie Center Community School District, 906 School Street, Guthrie Center, Iowa, 50115.

BASIC FINANCIAL STATEMENTS

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 3,101,698	117,375	3,219,073
Receivables:			
Property tax:			
Delinquent	21,827	-	21,827
Succeeding year	1,814,810	-	1,814,810
Income surtax	187,071	-	187,071
Accounts	5,961	-	5,961
Due from other governments	254,874	-	254,874
Inventories	-	5,887	5,887
Capital assets, net of accumulated depreciation	5,701,762	34,711	5,736,473
TOTAL ASSETS	11,088,003	157,973	11,245,976
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	549,925	14,868	564,793
LIABILITIES			
Accounts payable	115,698	-	115,698
Salaries and benefits payable	552,607	14,912	567,519
Accrued interest payable	71,163	-	71,163
Unearned revenue	-	5,037	5,037
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	165,000	-	165,000
Portion due after one year:			
Revenue bonds payable	3,295,000	-	3,295,000
Net pension liability	2,009,166	53,633	2,062,799
Net OPEB liability	136,521	-	136,521
TOTAL LIABILITIES	6,345,155	73,582	6,418,737
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenues	1,814,810	-	1,814,810
Pension related deferred inflows	766,238	20,454	786,692
TOTAL DEFERRED INFLOWS OF RESOURCES	2,581,048	20,454	2,601,502
NET POSITION			
Net investment in capital assets	2,241,762	34,711	2,276,473
Restricted for:			
Categorical funding	104,203	-	104,203
Student activities	27,700	-	27,700
Management levy purposes	47,350	-	47,350
School infrastructure	550,854	-	550,854
Physical plant and equipment	407,736	-	407,736
Debt service	473,702	-	473,702
Unrestricted	(1,141,582)	44,094	(1,097,488)
TOTAL NET POSITION	\$ 2,711,725	78,805	2,790,530

SEE NOTES TO FINANCIAL STATEMENTS.

**GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,328,834	539,820	79,856	(1,709,158)	-	(1,709,158)
Special	725,350	122,660	21,826	(580,864)	-	(580,864)
Other	939,754	238,976	181,993	(518,785)	-	(518,785)
	<u>3,993,938</u>	<u>901,456</u>	<u>283,675</u>	<u>(2,808,807)</u>	<u>-</u>	<u>(2,808,807)</u>
Support services:						
Student	104,691	-	-	(104,691)	-	(104,691)
Instructional staff	281,220	-	2,550	(278,670)	-	(278,670)
Administration	644,070	62,073	-	(581,997)	-	(581,997)
Operation and maintenance of plant	476,485	-	-	(476,485)	-	(476,485)
Transportation	239,783	1,274	-	(238,509)	-	(238,509)
	<u>1,746,249</u>	<u>63,347</u>	<u>2,550</u>	<u>(1,680,352)</u>	<u>-</u>	<u>(1,680,352)</u>
Non-instructional programs:						
Food service operations	5,357	-	-	(5,357)	-	(5,357)
Long-term debt interest	143,825	-	-	(143,825)	-	(143,825)
Other expenditures:						
AEA flowthrough	191,958	-	191,958	-	-	-
Depreciation(unallocated)*	332,489	-	-	(332,489)	-	(332,489)
	<u>524,447</u>	<u>-</u>	<u>191,958</u>	<u>(332,489)</u>	<u>-</u>	<u>(332,489)</u>
Total governmental activities	<u>6,413,816</u>	<u>964,803</u>	<u>478,183</u>	<u>(4,970,830)</u>	<u>-</u>	<u>(4,970,830)</u>
Business type activities:						
Support services:						
Administration	1,367	-	-	-	(1,367)	(1,367)
Operation and maintenance of plant	1,021	-	-	-	(1,021)	(1,021)
	<u>2,388</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,388)</u>	<u>(2,388)</u>
Non-instructional programs:						
Food service operations	296,650	165,562	158,123	-	27,035	27,035
Total business type activities	<u>299,038</u>	<u>165,562</u>	<u>158,123</u>	<u>-</u>	<u>24,647</u>	<u>24,647</u>
Total	<u>\$ 6,712,854</u>	<u>1,130,365</u>	<u>636,306</u>	<u>(4,970,830)</u>	<u>24,647</u>	<u>(4,946,183)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,356,710	-	1,356,710
Capital outlay				243,032	-	243,032
Income surtax				200,930	-	200,930
Statewide sales, services and use tax				437,817	-	437,817
Unrestricted state grants				2,529,615	-	2,529,615
Unrestricted investment earnings				3,814	10	3,824
Other				7,141	-	7,141
Total general revenues				<u>4,779,059</u>	<u>10</u>	<u>4,779,069</u>
Change in net position				(191,771)	24,657	(167,114)
Net position beginning of year, as restated				<u>2,903,496</u>	<u>54,148</u>	<u>2,957,644</u>
Net position end of year				<u>\$ 2,711,725</u>	<u>78,805</u>	<u>2,790,530</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 1,592,713	886,769	544,865	77,351	3,101,698
Receivables:					
Property tax:					
Delinquent	18,523	3,304	-	-	21,827
Succeeding year	1,436,885	247,925	-	130,000	1,814,810
Income surtax	187,071	-	-	-	187,071
Accounts	5,961	-	-	-	5,961
Due from other governments	186,357	68,517	-	-	254,874
TOTAL ASSETS	\$ 3,427,510	1,206,515	544,865	207,351	5,386,241
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 113,397	-	-	2,301	115,698
Salaries and benefits payable	552,607	-	-	-	552,607
Total liabilities	666,004	-	-	2,301	668,305
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,436,885	247,925	-	130,000	1,814,810
Income surtax	187,071	-	-	-	187,071
Total deferred inflows of resources	1,623,956	247,925	-	130,000	2,001,881
Fund balances:					
Restricted for:					
Categorical funding	104,203	-	-	-	104,203
Student activities	-	-	-	27,700	27,700
Management levy purposes	-	-	-	47,350	47,350
School infrastructure	-	550,854	-	-	550,854
Physical plant and equipment	-	407,736	-	-	407,736
Debt service	-	-	544,865	-	544,865
Unassigned	1,033,347	-	-	-	1,033,347
Total fund balances	1,137,550	958,590	544,865	75,050	2,716,055
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,427,510	1,206,515	544,865	207,351	5,386,241

SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE 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 20)	\$	2,716,055
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		5,701,762
Accounts receivable income surtax, are not yet available to finance expenditures of the current period and, therefore, are recognized as deferred inflows of resources in the governmental funds.		187,071
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(71,163)
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	\$	549,925
Deferred inflows of resources		(766,238)
		(216,313)
Long-term liabilities, such as bonds payable, other postemployment benefits and net pension liability, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.		(5,605,687)
Net position of governmental activities(page 18)	\$	2,711,725

SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,513,187	243,032	-	-	1,756,219
Tuition	605,754	-	-	-	605,754
Other	146,177	1,212	27	231,477	378,893
State sources	2,842,104	437,936	-	-	3,280,040
Federal sources	156,686	-	-	-	156,686
Total revenues	<u>5,263,908</u>	<u>682,180</u>	<u>27</u>	<u>231,477</u>	<u>6,177,592</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	2,306,889	21,703	-	72,113	2,400,705
Special	745,411	-	-	-	745,411
Other	743,561	-	-	215,860	959,421
	<u>3,795,861</u>	<u>21,703</u>	<u>-</u>	<u>287,973</u>	<u>4,105,537</u>
Support services:					
Student	108,292	-	-	-	108,292
Instructional staff	248,287	29,943	-	-	278,230
Administration	644,455	15,987	-	995	661,437
Operation and maintenance of plant	414,362	42,885	-	47,663	504,910
Transportation	169,892	136,295	-	12,971	319,158
	<u>1,585,288</u>	<u>225,110</u>	<u>-</u>	<u>61,629</u>	<u>1,872,027</u>
Non-instructional programs:					
Food service operations	-	-	-	5,357	5,357
Capital outlay	-	17,864	-	-	17,864
Long-term debt:					
Principal	-	-	150,000	-	150,000
Interest and fiscal charges	-	-	146,075	-	146,075
	<u>-</u>	<u>-</u>	<u>296,075</u>	<u>-</u>	<u>296,075</u>
Other expenditures:					
AEA flowthrough	191,958	-	-	-	191,958
Total expenditures	<u>5,573,107</u>	<u>264,677</u>	<u>296,075</u>	<u>354,959</u>	<u>6,488,818</u>
Excess(Deficiency) of revenues over(under) expenditures	(309,199)	417,503	(296,048)	(123,482)	(311,226)
Other financing sources(uses):					
Transfer in	-	-	308,800	-	308,800
Transfer out	-	(308,800)	-	-	(308,800)
Compensation for loss of capital assets	6,601	-	-	-	6,601
Total other financing sources(uses)	<u>6,601</u>	<u>(308,800)</u>	<u>308,800</u>	<u>-</u>	<u>6,601</u>
Change in fund balances	(302,598)	108,703	12,752	(123,482)	(304,625)
Fund balances beginning of year	1,440,148	849,887	532,113	198,532	3,020,680
Fund balances end of year	<u>\$ 1,137,550</u>	<u>958,590</u>	<u>544,865</u>	<u>75,050</u>	<u>2,716,055</u>

SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE 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 22) \$ (304,625)

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

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

Capital outlay	\$ 221,486	
Depreciation expense	(451,674)	(230,188)

Repayment of long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments are as follows: 150,000

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 funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 2,250

Income surtax accounts receivable is not available to finance expenditures of the current year and is recognized as deferred inflows of resources in the governmental funds. 44,453

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. 296,486

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:

Other postemployment benefits	(24,322)	
Pension expense	(183,780)	
Termination benefits	57,955	(150,147)

Change in net position of governmental activities(page 19) \$ (191,771)

SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

	Enterprise, School Nutrition
ASSETS	
Current assets:	
Cash and pooled investments	\$ 117,375
Inventories	5,887
Total current assets	123,262
Noncurrent assets:	
Capital assets, net of accumulated depreciation	34,711
TOTAL ASSETS	157,973
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows	14,868
LIABILITIES	
Current liabilities:	
Salaries and benefits payable	14,912
Unearned revenue	5,037
Total current liabilities	19,949
Noncurrent liabilities:	
Net pension liability	53,633
TOTAL LIABILITIES	73,582
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows	20,454
NET POSITION	
Net investment in capital assets	34,711
Unrestricted	44,094
TOTAL NET POSITION	\$ 78,805

SEE NOTES TO FINANCIAL STATEMENTS .

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2015

	Enterprise, School Nutrition
OPERATING REVENUES:	
Local sources:	
Charges for service	\$ 165,562
OPERATING EXPENSES:	
Support services:	
Administration:	
Services	311
Supplies	1,056
Operation and maintenance of plant:	
Services	1,021
	2,388
Non-instructional programs:	
Food service operations:	
Salaries	96,938
Benefits	12,327
Services	60
Supplies	182,184
Depreciation	5,121
Other	20
	296,650
TOTAL OPERATING EXPENSES	299,038
OPERATING LOSS	(133,476)
NON-OPERATING REVENUES:	
State sources	2,850
Federal sources	155,273
Interest income	10
TOTAL NON-OPERATING REVENUES	158,133
Change in net position	24,657
Net position beginning of year, as restated	54,148
Net position end of year	\$ 78,805

SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 166,731
Cash payments to employees for services	(110,080)
Cash payments to suppliers for goods or services	(164,832)
Net cash used by operating activities	(108,181)
Cash flows from non-capital financing activities:	
State grants received	2,850
Federal grants received	135,434
Net cash provided by non-capital financing activities	138,284
Cash flows from investing activities:	
Interest on investments	10
Net increase in cash and pooled investments	30,113
Cash and pooled investments beginning of year	87,262
Cash and pooled investments end of year	\$ 117,375
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (133,476)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities consumed	19,839
Depreciation	5,121
Increase in inventories	(19)
Increase in salaries and benefits payable	2,382
Decrease in net pension liability	(16,685)
Increase in deferred outflows of resources	(6,966)
Increase deferred inflows of resources	20,454
Increase in unearned revenue	1,169
Net cash used by operating activities	\$ (108,181)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at \$19,839.

SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2015

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Contributions	\$ 1,500
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	1,500
Change in net position	-
Net position beginning of year	-
Net position end of year	\$ -

SEE NOTES TO FINANCIAL STATEMENTS.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies

The Guthrie Center Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Guthrie Center, Iowa, and the predominately agricultural territory in Guthrie and Audubon 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, Guthrie 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. The Guthrie Center Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Guthrie and Audubon Counties Assessors' 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 nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are 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 other 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 receipts that are 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 expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

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

The District reports the following non-major proprietary funds:

The District's proprietary fund is the Enterprise, School Nutrition Fund. The 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.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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 Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

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

For purposes of the Statement of Cash Flows, all short-term 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 the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking 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, machinery and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ -
Buildings	10,000
Land improvements	10,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-20 years

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

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

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.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Position in the Proprietary Funds.

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

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. 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 period. Deferred inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year end.

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

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the instruction and non-instructional programs functions.

Note 2. Cash and Pooled Investments

The District's deposits at June 30, 2015 were entirely covered by federal depository insurance or 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. As of June 30, 2015 the district had no investments.

Note 3. Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 308,800</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District's revenue bond indebtedness.

Note 4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 49,800	-	-	49,800
Total capital assets not being depreciated	49,800	-	-	49,800
Capital assets being depreciated:				
Buildings	8,560,616	-	-	8,560,616
Land improvements	1,557,981	5,500	-	1,563,481
Machinery and equipment	998,197	215,986	40,040	1,174,143
Total capital assets being depreciated	11,116,794	221,486	40,040	11,298,240
Less accumulated depreciation for:				
Buildings	3,866,176	258,530	-	4,124,706
Land improvements	661,650	73,959	-	735,609
Machinery and equipment	706,818	119,185	40,040	785,963
Total accumulated depreciation	5,234,644	451,674	40,040	5,646,278
Total capital assets being depreciated, net	5,882,150	(230,188)	-	5,651,962
Governmental activities capital assets, net	\$ 5,931,950	(230,188)	-	5,701,762
Business type activities:				
Machinery and equipment	\$ 108,869	-	-	108,869
Less accumulated depreciation	69,037	5,121	-	74,158
Total	\$ 39,832	(5,121)	-	34,711

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 7,144
Other	8,121
Support services:	
Instructional staff	13,664
Administration	3,257
Operation and maintenance of plant	17,166
Transportation	69,833
	<u>119,185</u>
Unallocated depreciation	<u>332,489</u>
Total governmental activities depreciation expense	<u>\$ 451,674</u>
Business type activities:	
Food service operations	<u>\$ 5,121</u>

Note 5. Long-Term Liabilities

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

	Balance Beginning of Year, Restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governemental activities:					
Revenue bonds	\$ 3,610,000	-	150,000	3,460,000	165,000
Termination benefits	57,955	-	57,955	-	-
Net pension liability	2,634,218	-	625,052	2,009,166	-
Net OPEB liability	112,199	24,322	-	136,521	-
Total	<u>\$ 6,414,372</u>	<u>24,322</u>	<u>833,007</u>	<u>5,605,687</u>	<u>165,000</u>
Business type activities:					
Net pension liability	\$ 70,318	-	16,685	53,633	-

Revenue Bonds Payable

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of July 1, 2010				
	Interest Rates	Principal	Interest	Total	
2016	3.50	% \$ 165,000	139,438	304,438	
2017	4.00	170,000	133,150	303,150	
2018	4.00	175,000	126,250	301,250	
2019	4.00	180,000	119,150	299,150	
2020	4.00	190,000	111,750	301,750	
2021-2025	4.00-4.12	1,060,000	437,006	1,497,006	
2026-2030	4.12-4.38	1,520,000	192,669	1,712,669	
Total		<u>\$ 3,460,000</u>	<u>1,259,413</u>	<u>4,719,413</u>	

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,920,000 of bonds issued in July 2010. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, service and use tax revenues received by the District and are payable through 2030. The bonds are not general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require 70% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$4,719,413. For the current year, \$150,000 principal and \$144,575 interest was paid on the bonds and total statewide sales, service and use tax revenues were \$437,817.

The resolution providing for the issuance of the statewide sales, services and use tax revenues bonds including the following provisions:

- a) \$308,688 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the projects account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenues account shall be disbursed to make deposits into sinking account to pay the principal and interest requirements of the revenues bonds for the fiscal year.
- d) Any monies remaining in the revenues account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Note 6. Pension and Retirement Benefits

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

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 information 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, any time 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 \$304,588.

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 \$2,062,799 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 .050970 percent, which was an increase of .003204 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$188,685. 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	\$ 22,416	\$ -
Changes of assumptions	91,036	-
Net difference between projected and actual earnings on pension plan investments	-	786,692
Changes in proportion and differences between District contributions and proportionate share of contributions	146,753	-
District contributions subsequent to the measurement date	304,588	-
Total	<u>\$ 564,793</u>	<u>\$ 786,692</u>

\$304,588 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	\$ (135,877)
2017	(135,877)
2018	(135,877)
2019	(135,877)
2020	17,021
	<u>\$ (526,487)</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:

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 3,897,602	\$ 2,062,799	\$ 514,036

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$38,943 for legally required employer contributions and \$25,947 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 7. Other Postemployment Benefits

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 35 active members and 1 retired member 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 and prescription drug benefits as active employees, which result 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 and unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Districts 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	\$ 30,916
Interest on net OPEB obligation	2,805
Adjustment to annual required contribution	(5,963)
Annual OPEB cost	<u>27,758</u>
Contributions made	<u>(3,436)</u>
Increase in net OPEB obligation	24,322
Net OPEB obligation beginning of year	<u>112,199</u>
Net OPEB obligation end of year	<u><u>\$ 136,521</u></u>

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

For the year ended June 30, 2015, the District contributed \$3,436 to the medical plan. The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 24,070	8.62%	\$ 89,909
2014	25,003	10.85%	112,199
2015	27,758	12.38%	136,521

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 \$206,365, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$206,365. The covered payroll (annual payroll of active employees covered by the plan) was \$1,902,292, and the ratio of the UAAL to covered payroll was 10.85%. 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 event 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 July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, life, accidental death and dismemberment and long-term disability.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2015 were \$296,703.

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

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

Note 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 \$191,958 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Deficit Unrestricted Net Position

At June 30, 2015, the District had a deficit unrestricted net position of \$1,141,582 in its governmental activities.

Note 11. Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the instruction and non-instructional programs functional areas.

Note 12. Categorical Funding

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

Program	Amount
Home school assistance program	\$ 2,902
Returning dropouts and dropout prevention program	44,679
Beginning teacher mentoring and induction program	4,370
Teacher salary supplement	343
Four-year-old preschool state aid	35,886
Successful progression for early readers	10,762
Professional development	5,261
Total	\$ 104,203

Note 13. Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is as follows:

	Net Investment in Capital Assets	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	544,865	1,033,347
Capital assets, net of accumulated depreciation	5,701,762	-	-
Revenue bond capitalized indebtedness	(3,460,000)	-	-
Accrued interest payable	-	(71,163)	-
Income surtax receivable	-	-	187,071
Net pension liability	-	-	(2,009,166)
Pension related deferred outflows	-	-	549,925
Pension related deferred inflows	-	-	(766,238)
Net OPEB liability	-	-	(136,521)
Net Position (Exhibit A)	\$ 2,241,762	473,702	(1,141,582)

Note 14. Accounting Change/Restatement

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

	Governmental Activities	Business Type Activities
Net position June 30, 2014, as previously reported	\$ 5,241,681	\$ 116,564
Net pension liability at June 30, 2014	(2,634,218)	(70,318)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	296,033	7,902
Net position July 1, 2014, as restated	\$ 2,903,496	\$ 54,148

REQUIRED SUPPLEMENTARY INFORMATION

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2015

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 2,740,866	165,572	2,906,438	3,205,849	3,205,849	(299,411)
State sources	3,280,040	2,850	3,282,890	2,854,373	2,854,373	428,517
Federal sources	156,686	155,273	311,959	319,000	319,000	(7,041)
Total revenues	6,177,592	323,695	6,501,287	6,379,222	6,379,222	122,065
Expenditures/expenses:						
Instruction	4,105,537	-	4,105,537	3,982,000	3,982,000	(123,537)
Support services	1,872,027	2,388	1,874,415	2,001,250	2,001,250	126,835
Non-instructional programs	5,357	296,650	302,007	296,500	296,500	(5,507)
Other expenditures	505,897	-	505,897	691,007	691,007	185,110
Total expenditures/expenses	6,488,818	299,038	6,787,856	6,970,757	6,970,757	182,901
Excess(Deficiency) of revenues over(under) expenditures/expenses	(311,226)	24,657	(286,569)	(591,535)	(591,535)	304,966
Other financing sources, net	6,601	-	6,601	-	-	(6,601)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures	(304,625)	24,657	(279,968)	(591,535)	(591,535)	298,365
Balances beginning of year, as restated	3,020,680	54,148	3,074,828	2,751,863	2,751,863	322,965
Balances end of year	\$ 2,716,055	78,805	2,794,860	2,160,328	2,160,328	621,330

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GUTHRIE 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 comparison 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 functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2015, expenditures in the instruction and non-instructional programs functions exceeded the amounts budgeted.

GUTHRIE 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

	2015
District's proportion of the net pension liability	0.050970%
District's proportionate share of the net pension liability	\$ 2,062,799
District's covered-employee payroll	\$ 3,410,839
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.48%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 304,588	303,935	267,848	250,334	202,125	206,565	195,797	176,822	156,658	148,053
Contributions in relation to the statutorily required contribution	(304,588)	(303,935)	(267,848)	(250,334)	(202,125)	(206,565)	(195,797)	(176,822)	(156,658)	(148,053)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 3,410,839	3,403,527	3,089,366	3,102,032	2,908,273	2,972,158	3,083,417	2,922,678	2,724,487	2,574,835
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GUTHRIE 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.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
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	\$ -	\$ 191,420	\$ 191,420	0.00%	\$ 1,575,144	12.15%
2011	July 1, 2009	-	187,151	187,151	0.00%	1,321,381	14.16%
2012	July 1, 2009	-	177,449	177,449	0.00%	1,504,066	11.80%
2013	July 1, 2012	-	207,977	207,977	0.00%	1,519,009	13.69%
2014	July 1, 2012	-	206,143	206,143	0.00%	1,700,510	12.12%
2015	July 1, 2012	-	206,365	206,365	0.00%	1,902,292	10.85%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Special Revenue		
	Student Activity	Management Levy	Total
ASSETS			
Cash and pooled investments	\$ 30,001	47,350	77,351
Receivables:			
Property tax:			
Succeeding year	-	130,000	130,000
TOTAL ASSETS	\$ 30,001	177,350	207,351
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,301	-	2,301
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	130,000	130,000
Fund balances:			
Restricted for:			
Student activities	27,700	-	27,700
Management levy purposes	-	47,350	47,350
Total fund balances	27,700	47,350	75,050
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 30,001	177,350	207,351

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2015

	Special Revenue		
	Student Activity	Management Levy	Total
REVENUES:			
Local sources:			
Other	\$ 226,387	5,090	231,477
EXPENDITURES:			
Current:			
Instruction:			
Regular	-	72,113	72,113
Other	215,860	-	215,860
Support services:			
Administration	-	995	995
Operation and maintenance of plant	-	47,663	47,663
Transportation	-	12,971	12,971
Non-instructional programs:			
Food service operations	-	5,357	5,357
TOTAL EXPENDITURES	215,860	139,099	354,959
Change in fund balances	10,527	(134,009)	(123,482)
Fund balances beginning of year	17,173	181,359	198,532
Fund balances end of year	\$ 27,700	47,350	75,050

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 482,337	404,432	886,769
Receivables:			
Property tax:			
Delinquent	-	3,304	3,304
Succeeding year	-	247,925	247,925
Due from other governments	68,517	-	68,517
TOTAL ASSETS	\$ 550,854	655,661	1,206,515
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	247,925	247,925
Fund Balances:			
Restricted for:			
School infrastructure	550,854	-	550,854
Physical plant and equipment	-	407,736	407,736
Total fund balances	550,854	407,736	958,590
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 550,854	655,661	1,206,515

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2015

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
REVENUES:			
Local sources:			
Local tax	\$ -	243,032	243,032
Other	606	606	1,212
State sources	437,817	119	437,936
TOTAL REVENUES	438,423	243,757	682,180
EXPENDITURES:			
Current:			
Instruction:			
Regular	21,703	-	21,703
Support services:			
Instructional staff	-	29,943	29,943
Administration	-	15,987	15,987
Operation and maintenance of plant	-	42,885	42,885
Transportation	-	136,295	136,295
Capital outlay	4,473	13,391	17,864
TOTAL EXPENDITURES	26,176	238,501	264,677
Excess of revenues over expenditures	412,247	5,256	417,503
Other financing uses:			
Transfer out	(308,800)	-	(308,800)
Change in fund balances	103,447	5,256	108,703
Fund balances beginning of year	447,407	402,480	849,887
Fund balances end of year	\$ 550,854	407,736	958,590

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GUTHRIE 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	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Drama	\$ -	1,763	2,570	1,999	1,192
Odyssey of Mind	-	8,821	10,135	2,557	1,243
Vocal Club	-	5,360	3,359	(1,340)	661
Band Club	-	28,001	24,624	(614)	2,763
Basketball	2,196	12,132	13,390	(800)	138
Track	-	12,089	6,723	(5,366)	-
Cheerleaders	-	5,928	6,388	4,571	4,111
Football	4,255	11,800	8,012	(7,282)	761
Baseball/Softball	28	8,354	19,777	11,553	158
Wrestling	-	13,618	10,726	(2,892)	-
Volleyball	-	5,574	7,174	1,600	-
Summer Little League	-	3,906	4,429	523	-
FFA	50	29,320	28,722	(237)	411
FCCLA	174	3,205	3,291	-	88
Honor Society	489	294	457	124	450
Student Council	124	2,966	4,067	990	13
Foreign Language	536	-	-	-	536
Art Club	480	856	596	2,886	3,626
Yearbook	-	12,518	11,647	(871)	-
General Fund	100	14,768	13,946	(382)	540
Student Activities	1,033	-	-	(1,033)	-
Marketing	2,695	4,302	4,754	-	2,243
JH Student Council	1,828	9,225	5,564	(3,643)	1,846
Extra Curricular	1,465	15,617	9,857	(5,617)	1,608
Elementary Fund	-	5,138	4,611	(274)	253
Class of 2014	783	-	-	-	783
Class of 2015	22	2,382	5,393	3,548	559
Class of 2016	605	7,265	5,580	-	2,290
Class of 2017	310	860	68	-	1,102
Class of 2018	-	325	-	-	325
Total	\$ 17,173	226,387	215,860	-	27,700

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 1,756,219	1,865,654	2,681,102	2,895,049	2,719,373	2,619,623	2,165,778	2,044,827	2,058,026	1,896,372
Tuition	605,754	573,837	531,091	455,303	496,928	490,821	381,379	355,036	365,542	346,632
Other	378,893	387,202	431,384	349,966	474,158	327,972	465,896	431,007	290,594	307,241
Intermediate sources	-	-	-	-	-	1,995	-	-	-	-
State sources	3,280,040	3,139,422	2,678,459	2,790,855	2,660,183	2,570,926	2,848,072	2,612,972	2,270,100	2,411,023
Federal sources	156,686	156,562	168,355	198,572	355,094	540,674	138,623	155,879	227,259	186,001
Total	\$ 6,177,592	6,122,677	6,490,391	6,689,745	6,705,736	6,552,011	5,999,748	5,599,721	5,211,521	5,147,269
Expenditures:										
Current:										
Instruction:										
Regular	\$ 2,400,705	2,233,455	1,984,902	2,418,613	2,257,264	2,081,803	2,106,776	1,961,550	1,818,112	1,753,552
Special	745,411	740,363	698,231	803,532	714,045	735,246	714,039	843,242	695,899	717,294
Other	959,421	937,250	885,182	833,500	744,545	738,978	680,516	661,836	681,401	588,608
Support services:										
Student	108,292	118,217	110,497	102,759	56,999	98,876	99,716	111,899	115,251	103,558
Instructional staff	278,230	294,925	278,916	392,006	162,135	189,091	173,996	188,349	228,469	240,937
Administration	661,437	650,473	578,474	582,434	545,566	547,194	559,993	504,446	465,832	452,914
Operation and maintenance of plant	504,910	600,771	556,481	510,295	522,359	531,571	511,023	528,187	475,794	474,363
Transportation	319,158	276,060	282,465	180,327	253,955	146,481	139,378	153,925	260,908	190,673
Non-instructional programs	5,357	6,871	6,350	6,219	4,957	5,506	2,566	2,296	2,067	2,646
Capital outlay	17,864	115,949	112,309	292,075	2,063,239	1,553,247	60,182	960,597	384,108	190,708
Long-term debt:										
Principal	150,000	100,000	200,000	210,000	95,000	90,000	85,000	80,000	75,000	80,000
Interest and fiscal charges	146,075	149,825	158,125	242,037	14,320	18,320	22,060	25,500	28,651	31,930
Other expenditures:										
AEA flow-through	191,958	189,565	184,693	186,212	205,527	206,244	186,955	169,446	157,855	151,690
Total	\$ 6,488,818	6,413,724	6,036,625	6,760,009	7,639,911	6,942,357	5,342,200	6,191,273	5,389,347	4,978,873

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(A Professional Corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

**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 the Guthrie Center Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental 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 Guthrie 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 our report thereon dated March 21, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

Guthrie Center Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2016
Newton, Iowa

GUTHRIE CENTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-15 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, and custody of investments.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - check preparation, approving, and reconciling.
- 5) Wire transfers - processing and approving.
- 6) Payroll - recording approved pay rates and deductions, recordkeeping, posting and distribution.
- 7) Transfers - preparing and approving.
- 8) Financial reporting - preparing, reconciling and approving.
- 9) Computer systems - performing all general accounting functions and controlling all data input and output.
- 10) School lunch program - recording, journalizing, posting, reconciling, and check preparation.

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

Response - We will continue to explore procedures to help obtain maximum internal controls when possible.

Conclusion - Response accepted.

I-B-15 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wages per hour amounts is not possible.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - We will attempt to keep track of non-certified staff coaches hours to comply with the Department of Labor requirements.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting

II-A-15 Certified Budget - Expenditures for the year ended June 30, 2015 exceeded the certified budget amounts in the instruction and non-instructional programs functional areas.

Recommendation - The District should amend the budget in accordance with Chapter 24.9 of the Code of Iowa before expenditures exceed the budget.

Response - The District will monitor expenditures more closely in regards to the certified budget.

Conclusion - Response accepted.

II-B-15 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion dated April 25, 1979 were noted.

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

II-D-15 Business Transactions - Business transactions between the District and District officials and employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Joni Rees, Board Secretary/Business Manager Spouse owns Rees Repair	Purchased services	\$ 1,708
Tara Embleton, Activity/Nutrition Secretary Father owns Doug's Plumbing and Heating	Purchased services	\$ 4,639
Kelly Nielsen, Teacher owns Graphics+	Supplies	\$ 191

In accordance with the Attorney’s General’s opinion dated November 9, 1976, the above transactions with the family members of District employees do not appear to represent a conflict of interest.

In accordance with the Attorney General’s Opinion dated July 2, 1990, the above transaction with District employee Kelly Nielson does not appear to represent a conflict of interest.

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

II-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

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

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

- II-I-15 Deposits and Investments - We noted 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.
- II-J-15 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$ 447,407
Revenues:		
Sales tax revenues	\$ 437,817	
Other local revenues	606	438,423
		<u>885,830</u>
Expenditures/transfers out:		
Equipment	24,953	
Other	1,223	
Transfers to other funds:		
Debt service	308,800	334,976
		<u>334,976</u>
Ending Balance		<u>\$ 550,854</u>

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

- II-M-15 Financial Condition - We noted during our audit that the District had deficit unrestricted net position of \$1,141,582 in its governmental activities. The primary reason for this deficit net position is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward.

Response - The District will take this into consideration from this time forward.

Conclusion - Response accepted.

- II-N-15 Student Activity Fund - During our audit concerns arose about certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. In accordance with Chapter 298A.8 of the Code of Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program.

Instructional Purchases: In our audit we noted fieldtrips, as a part of the District's regular instruction program, were paid for out of the Elementary Student Council account within the Student Activity Fund.

Recommendation - The District should review the propriety of the revenues and expenditures that are approved in the Student Activity Fund. Fieldtrip expenditures would appear to be more instructional in nature and would be more appropriately handled in the General Fund.

Response - Field trips will be taken out of the General Fund from this time forward.

Conclusion - Response accepted.