

AGWSR COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2016

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AGWSR Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2015 Election)

Brian Johnson	President	2017
Gary Heetland	Vice President	2015
Maureen Meyer	Board Member	2015
Pat Ubben	Board Member	2017
Darren Janssen	Board Member	2015
Steve Bartling	Board Member	2015
Anthony Sillman	Board Member	2017

(After September 2015 Election)

Brian Johnson	President	2017
Gary Heetland	Vice President	2019
Megan Harms	Board Member	2019
Pat Ubben	Board Member	2017
Nathan Vogel	Board Member	2019
Steve Bartling	Board Member	2019
Anthony Sillman	Board Member	2017

School Officials

Marty Jimmerson	Superintendent	2016
Deb Barker	District Secretary/Treasurer and Business Manager	2016
Ahlers & Cooney	Attorney	2016

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 AGWSR 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 AGWSR Community School District, Ackley, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 AGWSR Community School District as of June 30, 2016, 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.

Members American Institute & Iowa Society of Certified Public Accountants

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 17 and 48 through 53 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 AGWSR 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 three years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 1, 2017 on our consideration of AGWSR 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 AGWSR Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

February 1, 2017
Newton, Iowa

AGWSR COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AGWSR 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, 2016. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2016 Financial Highlights

- General Fund revenues increased from \$6,480,218 in fiscal year 2015 to \$7,019,772 in fiscal year 2016, while General Fund expenditures increased from \$6,568,152 in fiscal year 2015 to \$6,990,525 in fiscal year 2016. This resulted in an increase in the District's General Fund balance from \$852,697 at June 30, 2015 to \$881,944 at June 30, 2016, a 3.43% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local and state sources received in fiscal year 2016. The increase in expenditures was primarily due to an increase in instructional expenditures incurred as compared to the prior year.

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

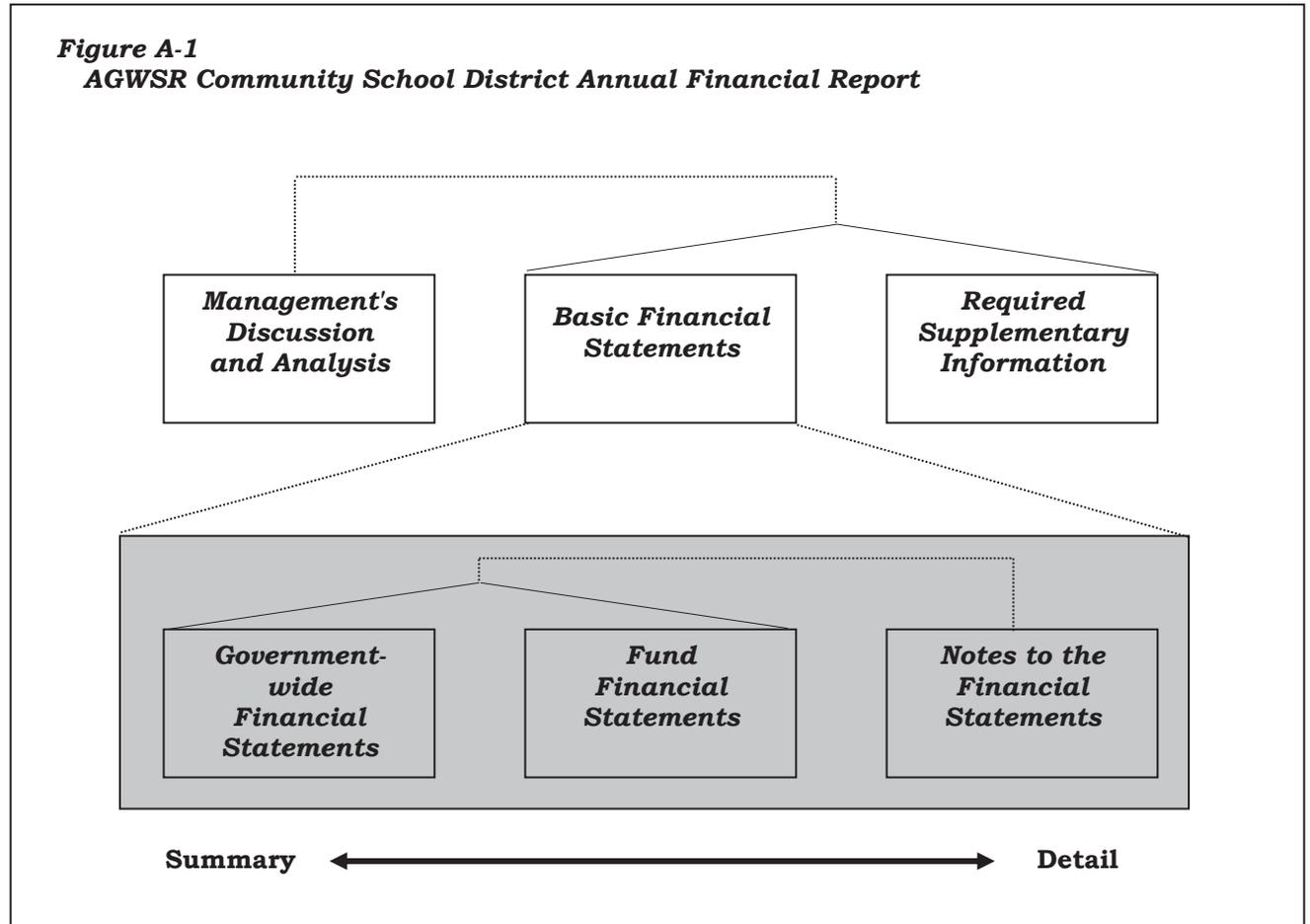


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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, e.g., food service, daycare	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 and Cougar Den Daycare Program are included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, 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 funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Cougar's Den Daycare Fund.

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

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

- Private Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - These are funds through which the District administers and accounts for certain monies on behalf of other entities.

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 a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2016 compared to June 30, 2015.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2015 (Not restated)		June 30, 2015 (Not restated)		June 30, 2015 (Not restated)		June 30, 2015-16
Current and other assets	\$ 8,025,291	8,086,747	181,770	154,853	8,207,061	8,241,600	-0.42%
Capital assets	10,382,022	10,948,138	109,138	129,966	10,491,160	11,078,104	-5.30%
Total assets	18,407,313	19,034,885	290,908	284,819	18,698,221	19,319,704	-3.22%
Deferred outflows of resources	487,750	474,333	32,403	37,939	520,153	512,272	1.54%
Long-term liabilities	9,461,525	8,782,816	262,175	190,042	9,723,700	8,972,858	8.37%
Other liabilities	728,804	728,095	19,645	25,026	748,449	753,121	-0.62%
Total liabilities	10,190,329	9,510,911	281,820	215,068	10,472,149	9,725,979	7.67%
Deferred inflows of resources	4,195,439	4,600,851	36,332	82,494	4,231,771	4,683,345	-9.64%
Net position:							
Net investment in capital assets	4,870,190	5,030,941	109,138	129,966	4,979,328	5,160,907	-3.52%
Restricted	2,548,208	2,663,933	-	-	2,548,208	2,663,933	-4.34%
Unrestricted	(2,909,103)	(2,297,418)	(103,979)	(104,770)	(3,013,082)	(2,402,188)	-25.43%
Total net position	\$ 4,509,295	5,397,456	5,159	25,196	4,514,454	5,422,652	-16.75%

The District's combined net position decreased by 16.75%, or \$908,198, compared to the prior year. A significant portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$115,725 or 4.34% from the prior year. The primary reason for the decrease was the decrease in the amount restricted for management levy purposes as compared to the prior year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$610,894, or 25.43%. This decrease in unrestricted net position was primarily a result the District's net OPEB liability restatement.

Figure A-4 shows the changes in net position for the year ended June 30, 2016 compared to the year ended June 30, 2015.

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2016	2015 (Not restated)	2016	2015 (Not restated)	2016	2015 (Not restated)	2015-16
Revenues:							
Program revenues:							
Charges for service	\$ 462,756	375,250	458,587	440,986	921,343	816,236	12.88%
Operating grants, contributions and restricted interest	637,879	564,204	202,482	210,085	840,361	774,289	8.53%
Capital grants, contributions and restricted interest	7,000	12,929	-	-	7,000	12,929	-45.86%
General revenues:							
Property tax	3,565,171	3,368,792	-	-	3,565,171	3,368,792	5.83%
Income surtax	255,506	421,567	-	-	255,506	421,567	-39.39%
Statewide sales, services and use tax	593,907	564,879	-	-	593,907	564,879	5.14%
Unrestricted state grants	2,716,446	2,496,596	-	-	2,716,446	2,496,596	8.81%
Unrestricted investment earnings	15,748	36,596	218	154	15,966	36,750	-56.56%
Other	141,838	164,085	1,140	1,216	142,978	165,301	-13.50%
Total revenues	<u>8,396,251</u>	<u>8,004,898</u>	<u>662,427</u>	<u>652,441</u>	<u>9,058,678</u>	<u>8,657,339</u>	<u>4.64%</u>
Program expenses:							
Instruction	5,553,141	5,098,822	-	-	5,553,141	5,098,822	8.91%
Support services	2,257,453	2,125,803	18,777	21,810	2,276,230	2,147,613	5.99%
Non-instructional programs	9,282	5,753	631,325	611,069	640,607	616,822	3.86%
Other expenses	945,627	950,309	-	-	945,627	950,309	-0.49%
Total expenses	<u>8,765,503</u>	<u>8,180,687</u>	<u>650,102</u>	<u>632,879</u>	<u>9,415,605</u>	<u>8,813,566</u>	<u>6.83%</u>
Excess(Deficiency) of revenues over(under) expenses	(369,252)	(175,789)	12,325	19,562	(356,927)	(156,227)	128.47%
Transfers	(3,471)	(87,392)	3,471	87,392	-	-	0.00%
Change in net position	(372,723)	(263,181)	15,796	106,954	(356,927)	(156,227)	128.47%
Net position beginning of year, as restated	<u>4,882,018</u>	<u>5,660,637</u>	<u>(10,637)</u>	<u>(81,758)</u>	<u>4,871,381</u>	<u>5,578,879</u>	<u>-12.68%</u>
Net position end of year	<u>\$ 4,509,295</u>	<u>5,397,456</u>	<u>5,159</u>	<u>25,196</u>	<u>4,514,454</u>	<u>5,422,652</u>	<u>-16.75%</u>

In fiscal year 2016, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants accounted for 84.93% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for 99.79% of the revenue from business type activities.

The District's total revenues were approximately \$9.06 million, of which approximately \$8.40 million was for governmental activities and approximately \$0.66 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.64% increase in revenues and a 6.83% increase in expenses. The increase in expenses was primarily related to an increase in instructional expenses. The increase in revenues was due in part to increases in unrestricted state grants and property tax received as compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$8,396,251 and expenses were \$8,765,503 for the year ended June 30, 2016.

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, 2016 compared to those expenses for the year ended June 30, 2015.

	Total Cost of Services			Net Cost of Services		
	2016	2015 (Not restated)	Change 2015-16	2016	2015 (Not restated)	Change 2015-16
Instruction	\$ 5,553,141	5,098,822	8.91%	4,792,371	4,495,344	6.61%
Support services	2,257,453	2,125,803	6.19%	2,177,900	2,039,704	6.78%
Non-instructional programs	9,282	5,753	61.34%	9,282	5,753	61.34%
Other expenses	945,627	950,309	-0.49%	678,315	687,503	-1.34%
Totals	<u>\$ 8,765,503</u>	<u>8,180,687</u>	<u>7.15%</u>	<u>7,657,868</u>	<u>7,228,304</u>	<u>5.94%</u>

For the year ended June 30, 2016:

- The cost financed by users of the District's programs was \$462,756.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$644,879.
- The net cost of governmental activities was financed with \$3,565,171 in property tax, \$255,506 in income surtax, \$593,907 in statewide sales, services and use tax, \$2,716,446 in unrestricted state grants, \$15,748 in unrestricted investment earnings, and \$141,838 in other general revenues.

Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2016 were \$662,427 and expenses were \$650,102. The District's business type activities include the School Nutrition Fund and the Cougar's Den Daycare Fund. Revenues of these activities were comprised of charges for service, operating grants and contributions, unrestricted investment earnings, and other general revenues.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,245,677, a decrease from last year's ending fund balances of \$3,421,987. The primary reason for the decrease in combined fund balances during fiscal year 2016 is the decrease in the Management Levy Fund balance.

Governmental Fund Highlights

- Overall, District revenues in the General Fund for fiscal year 2016 increased \$539,554, to \$7,019,772 compared to \$6,480,218 in fiscal year 2015. The expenses decreased by \$422,373 to \$6,990,525 compared to \$6,568,152 in fiscal year 2015. The General Fund balance increased \$29,247.

- The Capital Projects Fund balance increased from \$822,343 at June 30, 2015 to \$959,484 at June 30, 2016 primarily due to reduced capital outlay costs when compared to the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$63,657 restated as of July 1, 2015, to \$82,076 at June 30, 2016, representing an increase of 28.93%. The Cougar's Den Daycare Fund net position decreased from deficit \$74,294 restated as of July 1, 2015, to deficit \$76,917 at June 30, 2016, representing an decrease of 3.53%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$82,119 less than budgeted revenues, a variance of 0.89%. The most significant variance resulted from the District receiving less from local sources than originally anticipated.

Total expenditures were more 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 functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had invested \$10,491,160, 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) More detailed information about the District's capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$816,802.

The original cost of the District's capital assets was \$19,187,360. Governmental funds accounted for \$18,811,368 with \$323,575 accounted for in the Proprietary, School Nutrition Fund and \$52,417 accounted for in the Proprietary, Cougar's Den Daycare Fund.

The largest change in capital asset activity during the year occurred in the buildings and improvements which totaled \$9,038,341 at June 30, 2016, compared to \$9,500,046 reported at June 30, 2015. The decrease is due to annual depreciation expense applied during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	2015-16
Land	\$ 311,674	311,674	-	-	311,674	311,674	0.00%
Buildings and improvements	9,038,341	9,500,046	-	-	9,038,341	9,500,046	-4.86%
Land improvements	308,187	337,386	-	-	308,187	337,386	-8.65%
Machinery and equipment	723,820	799,032	109,138	129,966	832,958	928,998	-10.34%
Total	<u>\$ 10,382,022</u>	<u>10,948,138</u>	<u>109,138</u>	<u>129,966</u>	<u>10,491,160</u>	<u>11,078,104</u>	<u>-5.30%</u>

Long-Term Debt

At June 30, 2016, the District had \$9,723,700 of long-term debt outstanding. This represents an increase of 8.37% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had \$5,455,000 in outstanding general obligation bonds at June 30, 2016 payable from the Debt Service Fund.

The District had a bus lease payable of \$56,832 at June 30, 2016, payable from the Capital project: Physical Plant and Equipment Levy Fund.

The District had termination benefits payable of \$175,733 at June 30, 2016, payable from the Management Levy Fund.

The District had total net pension liability of \$2,995,099 at June 30, 2016. Of this total, \$2,774,149 was attributable to governmental activities and \$220,950 was attributable to business type activities.

The District had total net OPEB liability of \$1,041,036 at June 30, 2016. Of this total, \$999,811 was attributable to governmental activities and \$41,225 was attributable to business type activities.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2015		June 30, 2015		June 30, 2015		June 30, 2015-16
	2016	(Not restated)	2016	(Not restated)	2016	(Not restated)	2015-16
General obligation bond	\$ 5,455,000	5,805,000	-	-	5,455,000	5,805,000	-6.03%
Bus lease	56,832	112,197	-	-	56,832	112,197	-49.35%
Termination benefits	175,733	289,094	-	-	175,733	289,094	-39.21%
Net pension liability	2,774,149	2,381,165	220,950	189,454	2,995,099	2,570,619	16.51%
Net OPEB liability	999,811	195,360	41,225	588	1,041,036	195,948	431.28%
Totals	<u>\$ 9,461,525</u>	<u>8,782,816</u>	<u>262,175</u>	<u>190,042</u>	<u>9,723,700</u>	<u>8,972,858</u>	<u>8.37%</u>

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:

- School financing is highly dependent upon student enrollment. The District's October 2016 enrollment decreased by approximately 2 students and our five-year trend data has our enrollment decreasing by an average of 5 students per year. This decrease in enrollment will decrease the District's funding for fiscal year 2017, and trend data suggest that this is something we need to be mindful of every year.
- The District will be negotiating a new collective bargaining agreement during fiscal year 2017. Settlements in the excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- If State Supplemental Aid continues to be under funded, this will have a negative impact to the district's finances.

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 Deb Barker, District Secretary/Treasurer and Business Manager, AGWSR Community School District, 918 4th Ave, Ackley, Iowa, 50601.

AGWSR COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

AGWSR COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 3,715,158	169,599	3,884,757
Receivables:			
Property tax:			
Delinquent	38,605	-	38,605
Succeeding year	3,734,568	-	3,734,568
Income surtax	329,610	-	329,610
Accounts	18,313	997	19,310
Due from other governments	189,037	7,307	196,344
Inventories	-	3,867	3,867
Capital assets, net of accumulated depreciation	10,382,022	109,138	10,491,160
TOTAL ASSETS	18,407,313	290,908	18,698,221
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	487,750	32,403	520,153
LIABILITIES			
Intergovernmental payable	56,750	-	56,750
Accounts payable	49,699	2,981	52,680
Salaries and benefits payable	608,987	11,885	620,872
Unearned revenue	-	4,779	4,779
Interest payable	13,368	-	13,368
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	355,000	-	355,000
Bus lease	56,832	-	56,832
Termination benefits	87,866	-	87,866
Portion due after one year:			
General obligation bonds	5,100,000	-	5,100,000
Termination benefits	87,867	-	87,867
Net pension liability	2,774,149	220,950	2,995,099
Net OPEB liability	999,811	41,225	1,041,036
TOTAL LIABILITIES	10,190,329	281,820	10,472,149
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	460,871	36,332	497,203
Unavailable property tax revenue	3,734,568	-	3,734,568
TOTAL DEFERRED INFLOWS OF RESOURCES	4,195,439	36,332	4,231,771
NET POSITION			
Net investment in capital assets	4,870,190	109,138	4,979,328
Restricted for:			
Categorical funding	373,576	-	373,576
Debt service	486,160	-	486,160
Management levy purposes	608,666	-	608,666
Student activities	120,322	-	120,322
School infrastructure	200,674	-	200,674
Physical plant and equipment	758,810	-	758,810
Unrestricted	(2,909,103)	(103,979)	(3,013,082)
TOTAL NET POSITION	\$ 4,509,295	5,159	4,514,454

SEE NOTES TO FINANCIAL STATEMENTS.

**AGWSR COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,584,050	186,701	71,480	-	(3,325,869)	-	(3,325,869)
Special	1,120,131	49,424	35,995	-	(1,034,712)	-	(1,034,712)
Other	848,960	190,250	226,920	-	(431,790)	-	(431,790)
	<u>5,553,141</u>	<u>426,375</u>	<u>334,395</u>	<u>-</u>	<u>(4,792,371)</u>	<u>-</u>	<u>(4,792,371)</u>
Support services:							
Student	199,044	-	-	-	(199,044)	-	(199,044)
Instructional staff	333,304	-	25,549	-	(307,755)	-	(307,755)
Administration	570,288	-	-	-	(570,288)	-	(570,288)
Operation and maintenance of plant	518,972	36,329	-	7,000	(475,643)	-	(475,643)
Transportation	635,845	52	10,623	-	(625,170)	-	(625,170)
	<u>2,257,453</u>	<u>36,381</u>	<u>36,172</u>	<u>7,000</u>	<u>(2,177,900)</u>	<u>-</u>	<u>(2,177,900)</u>
Non-instructional programs:							
Community service operations	7,245	-	-	-	(7,245)	-	(7,245)
Food Service Operations	2,037	-	-	-	(2,037)	-	(2,037)
	<u>9,282</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,282)</u>	<u>-</u>	<u>(9,282)</u>
Long-term debt interest	152,627	-	-	-	(152,627)	-	(152,627)
Other expenses:							
AEA flowthrough	267,312	-	267,312	-	-	-	-
Depreciation(unallocated)*	525,688	-	-	-	(525,688)	-	(525,688)
	<u>793,000</u>	<u>-</u>	<u>267,312</u>	<u>-</u>	<u>(525,688)</u>	<u>-</u>	<u>(525,688)</u>
Total governmental activities	<u>8,765,503</u>	<u>462,756</u>	<u>637,879</u>	<u>7,000</u>	<u>(7,657,868)</u>	<u>-</u>	<u>(7,657,868)</u>
Business type activities:							
Support services:							
Operation and maintenance of plant	18,777	-	-	-	-	(18,777)	(18,777)
Non-instructional programs:							
Food service operations	304,299	142,412	175,787	-	-	13,900	13,900
Community service operations	327,026	316,175	26,695	-	-	15,844	15,844
	<u>631,325</u>	<u>458,587</u>	<u>202,482</u>	<u>-</u>	<u>-</u>	<u>29,744</u>	<u>29,744</u>
Total business type activities	<u>650,102</u>	<u>458,587</u>	<u>202,482</u>	<u>-</u>	<u>-</u>	<u>10,967</u>	<u>10,967</u>
Total	<u>\$ 9,415,605</u>	<u>921,343</u>	<u>840,361</u>	<u>7,000</u>	<u>(7,657,868)</u>	<u>10,967</u>	<u>(7,646,901)</u>
General Revenues and Transfers:							
Property tax levied for:							
General purposes				\$ 3,316,778	-		3,316,778
Capital outlay				248,393	-		248,393
Income surtax				255,506	-		255,506
Statewide sales, services and use tax				593,907	-		593,907
Unrestricted state grants				2,716,446	-		2,716,446
Unrestricted investment earnings				15,748	218		15,966
Other general revenues				141,838	1,140		142,978
Transfers				(3,471)	3,471		-
Total general revenues and transfers				<u>7,285,145</u>	<u>4,829</u>		<u>7,289,974</u>
Change in net position				(372,723)	15,796		(356,927)
Net position beginning of year, as restated				4,882,018	(10,637)		4,871,381
Net position end of year				<u>\$ 4,509,295</u>	<u>5,159</u>		<u>4,514,454</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 1,424,905	880,413	1,409,840	3,715,158
Receivables:				
Property tax:				
Delinquent	36,067	2,538	-	38,605
Succeeding year	3,462,831	271,737	-	3,734,568
Income surtax	-	329,610	-	329,610
Accounts	13,849	4,464	-	18,313
Due from other funds	16,970	-	-	16,970
Due from other governments	91,319	97,718	-	189,037
TOTAL ASSETS	\$ 5,045,941	1,586,480	1,409,840	8,042,261
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ -	16,970	-	16,970
Intergovernmental payable	56,268	482	-	56,750
Accounts payable	35,911	8,197	5,591	49,699
Salaries and benefits payable	608,987	-	-	608,987
Total liabilities	701,166	25,649	5,591	732,406
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	3,462,831	271,737	-	3,734,568
Income surtax	-	329,610	-	329,610
Total deferred inflows of resources	3,462,831	601,347	-	4,064,178
Fund balances:				
Restricted for:				
Categorical funding	373,576	-	-	373,576
Debt service	-	-	499,528	499,528
Management levy purposes	-	-	784,399	784,399
Student activities	-	-	120,322	120,322
School infrastructure	-	200,674	-	200,674
Physical plant and equipment	-	758,810	-	758,810
Assigned	9,921	-	-	9,921
Unassigned	498,447	-	-	498,447
Total fund balances	881,944	959,484	1,404,249	3,245,677
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,045,941	1,586,480	1,409,840	8,042,261

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2016

Total fund balances of governmental funds(page 22)		\$ 3,245,677
 <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.		10,382,022
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.		(13,368)
Accounts receivable income surtax is not yet available to finance expenditures in the current year and, therefore, is recognized as deferred inflows of resources in the governmental funds.		329,610
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	\$ 487,750	
Deferred inflows of resources	<u>(460,871)</u>	26,879
Long-term liabilities, including general obligation bonds payable, bus lease payable, termination benefits payable, other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.		<u>(9,461,525)</u>
Net position of governmental activities(page 20)		<u><u>\$ 4,509,295</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	General	Capital Projects	Nonmajor	Total
REVENUES:				
Local sources:				
Local tax	\$ 3,316,778	562,176	-	3,878,954
Tuition	207,333	-	-	207,333
Other	170,081	62,992	213,406	446,479
State sources	3,108,365	596,742	-	3,705,107
Federal sources	216,655	-	-	216,655
Total revenues	7,019,212	1,221,910	213,406	8,454,528
EXPENDITURES:				
Current:				
Instruction:				
Regular	3,429,430	10,092	-	3,439,522
Special	915,765	-	150,403	1,066,168
Other	665,509	919	209,140	875,568
	5,010,704	11,011	359,543	5,381,258
Support services:				
Student	103,624	-	-	103,624
Instructional staff	210,467	125,654	-	336,121
Administration	489,406	37,611	84,899	611,916
Operation and maintenance of plant	518,985	89,037	98,380	706,402
Transportation	380,614	179,526	9,245	569,385
	1,703,096	431,828	192,524	2,327,448
Non-instructional programs:				
Food service operations	-	-	2,037	2,037
Community service operations	7,245	-	-	7,245
	7,245	-	2,037	9,282
Capital outlay	-	84,064	-	84,064
Long-term debt:				
Principal	-	-	405,365	405,365
Interest and fiscal charges	-	-	154,501	154,501
	-	-	559,866	559,866
Other expenditures:				
AEA flowthrough	267,312	-	-	267,312
Total expenditures	6,988,357	526,903	1,113,970	8,629,230
Excess(Deficiency) of revenues over(under) expenditures	30,855	695,007	(900,564)	(174,702)
Other financing sources(uses):				
Transfer in	-	-	557,866	557,866
Transfer out	-	(557,866)	-	(557,866)
Unrealized loss on investments	(2,168)	-	-	(2,168)
Sale of equipment	560	-	-	560
Total other financing sources(uses)	(1,608)	(557,866)	557,866	(1,608)
Change in fund balances	29,247	137,141	(342,698)	(176,310)
Fund balances beginning of year	852,697	822,343	1,746,947	3,421,987
Fund balances end of year	\$ 881,944	959,484	1,404,249	3,245,677

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR 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, 2016

Change in fund balances - total governmental funds(page 24) \$ (176,310)

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

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

Capital outlay	\$ (792,503)	
Depreciation expense	226,387	(566,116)

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. 405,365

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded in as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,874

The current year District employer IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflows of resources in the Statement of Net Position. 369,441

Income surtax accounts receivable is not available to finance expenditures of the current year and is recognized as a deferred inflow of resources in the governmental funds. (58,277)

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:

Termination benefits	(59,136)	
Pension expense	(173,048)	
Other postemployment benefits	(116,516)	(348,700)

Change in net position of governmental activities(page 21) \$ (372,723)

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	School Nutrition	Cougar's Den Daycare	Total
ASSETS			
Current assets:			
Cash and pooled investments	\$ 87,977	81,622	169,599
Accounts receivable	-	997	997
Due from other governments	-	7,307	7,307
Inventories	3,867	-	3,867
Total current assets	<u>91,844</u>	<u>89,926</u>	<u>181,770</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	80,347	28,791	109,138
TOTAL ASSETS	<u>172,191</u>	<u>118,717</u>	<u>290,908</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	10,793	21,610	32,403
LIABILITIES			
Current liabilities:			
Accounts payable	-	2,981	2,981
Salaries and benefits payable	685	11,200	11,885
Unearned revenue	4,779	-	4,779
Total current liabilities	<u>5,464</u>	<u>14,181</u>	<u>19,645</u>
Noncurrent liabilities:			
Net pension liability	67,486	153,464	220,950
Net OPEB liability	14,470	26,755	41,225
Total noncurrent liabilities	<u>81,956</u>	<u>180,219</u>	<u>262,175</u>
TOTAL LIABILITIES	<u>87,420</u>	<u>194,400</u>	<u>281,820</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	13,488	22,844	36,332
NET POSITION			
Net investment in capital assets	80,347	28,791	109,138
Unrestricted	1,729	(105,708)	(103,979)
TOTAL NET POSITION	<u>\$ 82,076</u>	<u>(76,917)</u>	<u>5,159</u>

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	School Nutrition	Cougar's Den Daycare	Total
OPERATING REVENUES:			
Local sources:			
Charges for service	\$ 142,412	316,175	458,587
Donations	-	8,460	8,460
Miscellaneous	1,140	-	1,140
TOTAL OPERATING REVENUES	143,552	324,635	468,187
OPERATING EXPENSES:			
Support services:			
Operation and maintenance of plant:			
Services	310	7,164	7,474
Supplies	-	11,303	11,303
Total support services	310	18,467	18,777
Non-instructional programs:			
Food service operations:			
Salaries	97,390	-	97,390
Benefits	19,107	-	19,107
Supplies	165,731	-	165,731
Depreciation	20,571	-	20,571
Other	1,500	-	1,500
	304,299	-	304,299
Community service operations:			
Salaries	-	232,348	232,348
Benefits	-	43,349	43,349
Supplies	-	45,896	45,896
Depreciation	-	3,728	3,728
Other	-	1,705	1,705
	-	327,026	327,026
Total non-instructional programs	304,299	327,026	631,325
TOTAL OPERATING EXPENSES	304,609	345,493	650,102
OPERATING LOSS	(161,057)	(20,858)	(181,915)
NON-OPERATING REVENUES:			
State sources	2,630	-	2,630
Federal sources	173,157	18,235	191,392
Interest income	218	-	218
TOTAL NON-OPERATING REVENUES	176,005	18,235	194,240
Change in net position before other financing sources	14,948	(2,623)	12,325
OTHER FINANCING SOURCES:			
Capital Contributions	3,471	-	3,471
Change in net position	18,419	(2,623)	15,796
Net position beginning of year, as restated	63,657	(74,294)	(10,637)
Net position end of year	\$ 82,076	(76,917)	5,159

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	School Nutrition	Cougar's Den Daycare	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 142,096	-	142,096
Cash received from daycare operations	-	325,555	325,555
Cash received from miscellaneous sources	1,140	8,460	9,600
Cash payments to employees for services	(118,967)	(282,680)	(401,647)
Cash payments to suppliers for goods or services	(142,223)	(65,781)	(208,004)
Net cash used in operating activities	(117,954)	(14,446)	(132,400)
Cash flows from non-capital financing activities:			
State grants received	2,630	-	2,630
Federal grants received	148,708	13,221	161,929
Net cash provided by non-capital financing activities	151,338	13,221	164,559
Cash flows from investing activities:			
Interest on investments	218	-	218
Net increase(decrease) in cash and pooled investments	33,602	(1,225)	32,377
Cash and pooled investments beginning of year	54,375	82,847	137,222
Cash and pooled investments end of year	\$ 87,977	81,622	169,599
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (161,057)	(20,858)	(181,915)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities used	24,449	-	24,449
Depreciation	20,571	3,728	24,299
Decrease in inventories	1,094	-	1,094
Decrease in accounts receivable	-	9,380	9,380
Increase(Decrease) in accounts payable	(225)	287	62
Decrease in salaries and benefits payable	(27)	(5,100)	(5,127)
Decrease in unearned revenue	(316)	-	(316)
Increase in net pension liability	8,362	23,134	31,496
Decrease(Increase) in deferred outflows of resources	(235)	5,771	5,536
Decrease in deferred inflows of resources	(12,256)	(33,906)	(46,162)
Increase in other postemployment benefits	1,686	3,118	4,804
Net cash used in operating activities	\$ (117,954)	(14,446)	(132,400)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2016, the District received Federal commodities valued at \$24,449.

During the year ended June 30, 2016, the District received capital contributions of \$3,471 from the Capital Projects: Physical Plant and Equipment Levy Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Private Purpose Trust Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 44,188	22,089
LIABILITIES		
Due to other groups	-	22,089
NET POSITION		
Held in trust for scholarships	\$ 44,188	-

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2016

	<u>Private Purpose Trust Scholarship</u>
Additions	\$ -
Deductions:	
Regular instruction:	
Scholarships awarded	<u>1,800</u>
Change in net position	(1,800)
Net position beginning of year	<u>45,988</u>
Net position end of year	<u><u>\$ 44,188</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

Note 1. Summary of Significant Accounting Policies

AGWSR Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Ackley, Geneva, Wellsburg, and Steamboat Rock, Iowa, and the predominantly agricultural territory in Grundy, Franklin and Butler 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 Government Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, AGWSR 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 AGWSR Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Hardin County, Franklin County, Butler County and Grundy County Assessor's Conference Board.

B. Basis of Presentation

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

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Net position is reported in the following 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 not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that 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 nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

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

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

The District also reports the following nonmajor proprietary funds:

The District's proprietary funds are the School Nutrition Fund and the Cougar's Den Daycare Funds. The School Nutrition Fund is used to account for the food service operations of the District. The Cougar's Den Daycare Fund is used to account for the day care services provided to citizens of the District.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds 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, Liabilities, Deferred Outflows of Resources, 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 purpose of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

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

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

Property tax revenue recognized in these funds becomes 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, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2015.

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 - The Enterprise Fund inventories are accounted for using the consumption method by which inventory acquisitions are recorded in inventory accounts when purchased or received by other means and are charged to operations when consumed or sold. The enterprise fund inventory consists primarily of food, with purchased food recorded at the lower cost (first-in, first-out method) or market and food commodities which were received from the federal government recorded at the contributed value as of the date 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	\$ 5,000
Buildings and improvements	5,000
Land improvements	5,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives
Buildings and improvements	20-50 years
Land improvements	20-25 years
Intangibles	3-10 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 year(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 District after the measurement date but before the end of the District'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.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Position in the Proprietary, School Nutrition Fund.

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

Pensions - For purpose 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 Employee's Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of succeeding year property tax receivable, and other receivables not collected within sixty days after year end.

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

Assigned - Amounts are not available for appropriation but are set aside for a specific purpose. The assigned fund balances in the District's General Fund are for smaller projects that are not able to be accounted for in other governmental funds.

Unassigned - All amounts not included in the proceeding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. For the year ended June 30, 2016 the District exceeded certified budgeted amounts in the instruction functional area

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2016, the District had the following investments:

Name of Stock	Number of Shares	Fair Value
Prudential	134	\$ 9,560

The District uses the fair value hierarchy established by generally accepted accounting principles, based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The recurring fair value measurement for the common stock of \$9,560 is valued using the last reported sales price for each stock at the June 30, 2016 measurement date. (Level 1 inputs)

In addition, the District had investments in the Iowa Schools Joint Investment Trust (ISJIT) Direct Government Obligations Portfolio which are valued at an amortized cost of \$8,596 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investments in ISJIT were rated AAAM by Standard & Poor's Financial Services.

The District had no other investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 499,528
Debt Service	Capital Projects: Physical Plant and Equipment Levy	58,338
Total		<u>\$ 557,866</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for general obligation bond debt relief.

The transfer from the Capital Projects: Physical, Plant and Equipment Levy Fund to the Debt Service Fund was needed for principal and interest payments on the District's bus lease.

Note 4. Due From and Due to Other Funds

The detail of interfund receivables and payables for the year ended June 30, 2016 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects: Physical Plant and Equipment Levy	General	<u>\$ 16,970</u>

The Capital Projects: Physical, Plant and Equipment Levy Fund is repaying the General Fund for expenditures paid during the year.

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 311,674	-	-	311,674
Capital assets being depreciated:				
Buildings and improvements	14,207,786	34,784	-	14,242,570
Land improvements	1,069,545	-	-	1,069,545
Machinery and equipment	3,006,876	191,603	10,900	3,187,579
Total capital assets being depreciated	18,284,207	226,387	10,900	18,499,694
Less accumulated depreciation for:				
Buildings and improvements	4,707,740	496,489	-	5,204,229
Land improvements	732,159	29,199	-	761,358
Machinery and equipment	2,207,844	266,815	10,900	2,463,759
Total accumulated depreciation	7,647,743	792,503	10,900	8,429,346
Total capital assets being depreciated, net	10,636,464	(566,116)	-	10,070,348
Governmental activities capital assets, net	\$ 10,948,138	(566,116)	-	10,382,022
Business type activities:				
Machinery and equipment	\$ 372,521	3,471	-	375,992
Less accumulated depreciation	242,555	24,299	-	266,854
Business type activities capital assets, net	\$ 129,966	(20,828)	-	109,138
Depreciation expense was charged by the District as follows:				
Governmental activities:				
Instruction:				
Regular				\$ 119,299
Other				7,720
Support services:				
Administration				11,883
Operation and maintenance of plant				5,746
Transportation				122,167
				266,815
Unallocated depreciation				525,688
Total governmental activities depreciation expense				\$ 792,503
Business type activities:				
Food service operations				\$ 20,571
Community service operations				3,728
Total business type activities depreciation expense				\$ 24,299

Note 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2016 are summarized as follows:

	Balance Beginning of Year Restated	Additions	Deletions	End of Balance End of	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 5,805,000	-	350,000	5,455,000	355,000
Bus lease	112,197	-	55,365	56,832	56,832
Termination benefits	116,591	175,733	116,591	175,733	87,866
Net pension liability	2,381,165	392,984	-	2,774,149	-
Net OPEB liability	896,079	103,732	-	999,811	-
Total	\$ 9,311,032	672,449	521,956	9,461,525	499,698
Business type activities:					
Net pension liability	\$ 189,454	31,496	-	220,950	-
Net OPEB liability	36,421	4,804	-	41,225	-
Total	\$ 225,875	36,300	-	262,175	-

General Obligation Bonds

Details of the District's June 30, 2016 general obligation indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2013			
	Interest Rate	Principal	Interest	Total
2017	2.00%	\$ 355,000	144,528	499,528
2018	2.00	360,000	137,428	497,428
2019	2.00	365,000	130,228	495,228
2020	2.00	375,000	122,928	497,928
2021	2.00	380,000	115,428	495,428
2022-2026	2.00-3.00	2,030,000	435,636	2,465,636
2027-2030	3.00-3.45	1,590,000	120,013	1,710,013
Total		\$ 5,455,000	1,206,189	6,661,189

Bus Lease

The District entered into a bus lease agreement with De Lage Landen Public Finance LLC. Details of the District's lease indebtedness for the year ended June 30, 2016 as follows

Year Ending June 30,	Bus Lease Dated August 13, 2014			
	Interest Rate	Principal	Interest	Total
2017	2.65%	\$ 56,832	1,506	58,338

Termination Benefits

The District offered a voluntary early retirement plan to employees. Eligible employees must have completed at least fifteen years of continuous service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits are equal to 50% of the employee's annual regular salary, not including any supplemental payments received by the employee for extracurricular or co-curricular duties, in effect during the employee's last year of employment.

Early retirement benefits will be paid in two equal installments beginning in July following the start of retirement. The first payment occurred on July 10, 2016 and the second payment will be made in July 2017.

At June 30, 2016, the District has obligations to five participants with a total liability of \$175,733. Actual early retirement expenditures for the year ended June 30, 2016 totaled \$116,591.

Note 6. Pension Plan

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

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, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date 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% 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% 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 - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State 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 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% of covered payroll for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2016 were \$392,438.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the District reported a liability of \$2,995,009 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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 IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's proportion was 0.060624%, which was a decrease of 0.004194% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$186,915. At June 30, 2016, 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	\$ 45,252	\$ -
Changes of assumptions	82,463	-
Net difference between projected and actual earnings on IPERS' investments	-	249,271
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	-	247,932
District contributions subsequent to the measurement date	392,438	-
Total	\$ 520,153	\$ 497,203

\$392,438 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, 2017. 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,	Amount
2017	\$ (148,915)
2018	(148,915)
2019	(148,915)
2020	84,366
2021	(7,109)
Total	\$ (369,488)

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 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% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 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 IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. 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, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' 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 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 5,243,879	2,995,099	1,096,967

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

Payables to IPERS - At June 30, 2016, the District reported payables to IPERS of \$55,854 for legally required District contributions and \$37,215 for legally required employee withheld from employee wages which had not yet been remitted to IPERS.

Note 7. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 66 active and 5 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability. The District offers an early retirement incentive which includes District contributions toward single coverage health insurance, which results in an explicit subsidy and an OPEB liability.

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 207,217
Interest on net OPEB obligation	22,993
Adjustment to annual required contribution	<u>(64,780)</u>
Annual OPEB cost	165,430
Contributions made	<u>(44,110)</u>
Increase in net OPEB obligation	121,320
Net OPEB obligation beginning of year, restated	<u>919,716</u>
Net OPEB obligation end of year	<u><u>\$ 1,041,036</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. 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, 2016.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 38,949	16.19%	\$ 160,333
2015	41,689	14.57	195,948
2016	165,430	26.66	1,041,036

Funded Status and Funding Progress - As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$1,596,906, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,596,906. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,384,336, and the ratio of the UAAL to covered payroll was 47.2%. As of June 30, 2016, there were no trust fund assets.

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

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

As of the July 1, 2015 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000. 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 AGWSR Community School District is a member in the Iowa School Employees Benefits Association, fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: health, dental, and vision.

The District's contributions 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, 2016 was \$617,254.

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 written notice may withdraw.

AGWSR 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. There have been no significant reductions in insurance coverage from coverage in the prior year.

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 \$267,312 for the year ended June 30, 2016 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2016 is comprised of the following programs:

Program	Amount
Limited english proficient	\$ 18,262
Home school assistance program	59,389
Gifted and talented	74,184
Teacher salary supplement	35,489
Four-year-old preschool	99,828
Successful progression for early readers	43,365
Professional development for model core curriculum	27,818
Professional development	15,241
Total	<u>\$ 373,576</u>

Note 11. 28 E Management Agreement

The District participates in a 28E management agreement with the City of Ackley to provide service and management of a child care facility servicing residents of the Ackley area. The agreement is to remain in effect until either the District or the City of Ackley wishes to terminate the agreement.

The following are the terms agreed upon by the District and the City of Ackley concerning the child care facility:

The City of Ackley (City) agrees to purchase from the school and maintain ownership of the lot for the daycare facility. The City agrees to pay principal and interest due on the Rural Development Loan that the City obtained from the United States Department of Agriculture. The City will be responsible for property and casualty insurance on the daycare facility. The City will provide water, sewer and yard care services for the daycare facility as well as reimbursing the District \$8,000 per year for utilities. The City will be responsible for payment of emergency repairs to the daycare facility in excess of \$1,000.

The District agrees to be responsible for the hiring of the daycare staff, providing their salaries and benefit packages, providing certificate of liability insurance for all staff and students, providing custodial maintenance for the facility, providing food servings for daycare students and staff, providing furnishings and personal property and equipment, and for maintaining proper licensing, certifications and accreditation as necessary to operate and manage the facility. The District will maintain compliance with appropriate third-party requirements, such as Department of Human Services. The District shall pay the City \$1,546 monthly as a lease payment for the daycare facility which will be used by the City as part of the payment of principal and interest due on the City’s Rural Development Loan with the United States Department of Agriculture. The District will be responsible for payment of all utility costs of the daycare facility. The District also agrees to sublease a space to MICA Headstart, an educational program sponsored by the federal government. The District will be responsible for providing general maintenance and repairs of under \$1,000, to keep the facility functional and in good repair. The District shall provide monthly and annual reports to the City covering appropriate financial and operational statistics of the daycare facility.

Note 12. 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, 2016 expenditures exceeded the amounts budgeted in the instruction functional area.

Note 13. Detailed Reconciliation of Governmental Fund Balances to Net Position

The following is the detailed reconciliation of the governmental funds balance sheet to the Statement of Net Position:

	Invested in Capital Assets	Debt Service	Management Levy	Unassigned/ Unrestricted
Fund Balance (Exhibit C)	\$ -	499,528	784,399	498,447
Capital assets, net of accumulated depreciation	10,382,022	-	-	-
General obligation bond capitalized indebtedness	(5,455,000)	-	-	-
Bus lease capitlized indebtedness	(56,832)	-	-	-
Termination benefits payable	-	-	(175,733)	-
Income surtax	-	-	-	329,610
Accrued interest payable	-	(13,368)	-	-
Assigned fund balance	-	-	-	9,921
Net pension liability	-	-	-	(2,774,149)
Pension related deferred outflows	-	-	-	487,750
Pension related deferred inflows	-	-	-	(460,871)
Net OPEB liability	-	-	-	(999,811)
Net position (Exhibit A)	<u>\$ 4,870,190</u>	<u>486,160</u>	<u>608,666</u>	<u>(2,909,103)</u>

Note 14. Other Postemployment Benefits (OPEB) Restatement

In recent years, AGWSR Community School District has offered an early retirement incentive to District retirees. These early retirement offerings included District contributions to single coverage health insurance up until age 65 or the retiree became eligible for Medicare. The liability associated with the retirement benefits has been accounted for in previous years as termination benefits. Because AGWSR Community School District has offered an early retirement package more often than not in recent years, the District contributions to insurance premiums are now included as an explicit subsidy in the most recent GASB Statement No. 45 actuarial valuation. Therefore, the explicit portion of the Net OPEB liability is now included in the restated beginning balance of the Net OPEB liability for AGWSR Community School District.

Details of the effects of this adjustment on the restated July 1, 2015 beginning balance of the AGWSR Community School District's enterprise funds and its governmental activities are as follows:

	Business Type Activities:			Governmental Activities	Total Net OPEB Liability
	School Nutrition	Cougar's Den Daycar	Total		
Net OPEB liability at June 30, 2015	\$ -	(588)	(588)	(195,360)	(195,948)
Reclassification of premium portion of early retirement offering as an explicit subsidy in the July 1, 2015 actuarial valuation	(12,784)	(23,049)	(35,833)	(687,935)	(723,768)
Net OPEB liability at July 1, 2015, as restated	<u>\$ (12,784)</u>	<u>(23,637)</u>	<u>(36,421)</u>	<u>(883,295)</u>	<u>(919,716)</u>

The District's early retirement offerings may also include a cash benefit. The cash benefit may not always be offered or may not always be calculated in the same manner and, therefore, liabilities associated with any cash payments remain accounted for as termination benefits. However, the District contributions due to retiree health premiums are now included in the net OPEB liability and have been removed from the restated beginning balance for termination benefits.

Details of the effects of this adjustment on the restated July 1, 2015 beginning balance of the AGWSR Community School District's governmental activities are as follows:

	<u>Governmental Activities</u>
Termination benefits at June 30, 2015	\$ (289,094)
Reclassification of premium portion of early retirement offering as an explicit subsidy in the July 1, 2015 actuarial valuation	<u>172,497</u>
Termination benefits at July 1, 2015, as restated	<u><u>\$ (116,597)</u></u>

The cumulative effect of the July 1, 2015 restatements, caused by the reclassification of liabilities associated with the District's early retirement offerings, on the July 1, 2015 beginning balances of the AGWSR Community School District are as follows:

	<u>Business Type Activities:</u>			<u>Governmental Activities</u>
	<u>School Nutrition</u>	<u>Cougar's Den Daycar</u>	<u>Total</u>	
Net position June 30, 2015	\$ 76,441	(51,245)	25,196	5,397,456
Net OPEB liability restatement adjustment	(12,784)	(23,049)	(35,833)	(687,935)
Termination benefits restatement adjustment	-	-	-	<u>172,497</u>
Net position July 1, 2015, as restated	<u>\$ 63,657</u>	<u>(74,294)</u>	<u>(10,637)</u>	<u><u>4,882,018</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

AGWSR COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES
 AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2016

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 4,532,766	468,405	5,001,171	5,088,392	5,088,392	(87,221)
State sources	3,705,107	2,630	3,707,737	3,760,682	3,760,682	(52,945)
Federal sources	216,655	191,392	408,047	350,000	350,000	58,047
Total revenues	8,454,528	662,427	9,116,955	9,199,074	9,199,074	(82,119)
Expenditures/expenses:						
Instruction	5,381,258	-	5,381,258	5,230,000	5,230,000	(151,258)
Support services	2,327,448	18,777	2,346,225	2,550,055	2,550,055	203,830
Non-instructional programs	9,282	631,325	640,607	668,600	668,600	27,993
Other expenditures	911,242	-	911,242	1,250,230	1,250,230	338,988
Total expenditures/expenses	8,629,230	650,102	9,279,332	9,698,885	9,698,885	419,553
Excess(Deficiency) of revenues over(under) expenditures/expenses	(174,702)	12,325	(162,377)	(499,811)	(499,811)	337,434
Other financing sources, net	(1,608)	3,471	1,863	(1)	(1)	1,864
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(176,310)	15,796	(160,514)	(499,812)	(499,812)	339,298
Balances beginning of year, as restated	3,421,987	(10,637)	3,411,350	3,133,991	3,133,991	277,359
Balances end of year	\$ 3,245,677	5,159	3,250,836	2,634,179	2,634,179	616,657

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AGWSR COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2016

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

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

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

During the year ended June 30, 2016 District expenditures exceeded the amounts budgeted in the instruction functional area.

AGWSR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 FOR THE LAST TWO YEARS*
 REQUIRED SUPPLEMENTARY INFORMATION

	2016	2015
District's proportion of the net pension liability	0.060624%	0.064818%
District's proportionate share of the net pension liability	\$ 2,995,099	2,570,619
District's covered-employee payroll	\$ 4,153,266	4,241,411
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.11%	60.61%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

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.

AGWSR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 FOR THE LAST TEN YEARS
 REQUIRED SUPPLEMENTARY INFORMATION

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution	\$ 392,438	370,887	378,758	373,104	338,114	257,222	282,426	275,951	254,018	235,967
Contributions in relation to the statutorily required contribution	\$ (392,438)	(370,887)	(378,758)	(373,104)	(338,114)	(257,222)	(282,426)	(275,951)	(254,018)	(235,967)
Contribution deficiency(excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 4,394,595	4,153,266	4,241,411	4,303,391	4,189,765	3,701,036	4,063,683	4,345,685	4,198,645	4,103,774
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AGWSR COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for 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.

Legislative action in 2008 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.

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% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- 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 future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

AGWSR 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	-	\$ 274,321	274,321	0.0%	\$ 3,095,000	8.9%
2011	July 1, 2009	-	272,869	272,869	0.0	3,220,000	8.5
2012	July 1, 2009	-	264,845	264,845	0.0	3,260,000	8.1
2013	July 1, 2012	-	313,487	313,487	0.0	3,445,426	9.1
2014	July 1, 2012	-	304,843	304,843	0.0	3,242,979	9.4
2015	July 1, 2012	-	296,271	296,271	0.0	3,256,527	9.1
2016	July 1, 2015	-	1,596,906	1,596,906	0.0	3,384,336	47.2

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.

AGWSR COMMUNITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

AGWSR COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2016

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
ASSETS					
Cash and pooled investments	\$ 789,990	120,322	910,312	499,528	1,409,840
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 5,591	-	5,591	-	5,591
Deferred inflows of resources	-	-	-	-	-
Fund balances:					
Restricted for:					
Debt service	-	-	-	499,528	499,528
Management levy purposes	784,399	-	784,399	-	784,399
Student activities	-	120,322	120,322	-	120,322
Total fund balances	784,399	120,322	904,721	499,528	1,404,249
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 784,399	120,322	904,721	499,528	1,409,840

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AGWSR COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2016

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
REVENUES:					
Local sources:					
Other	\$ 18,775	194,631	213,406	-	213,406
EXPENDITURES:					
Current:					
Instruction:					
Regular	150,403	-	150,403	-	150,403
Special	45,687	163,453	209,140	-	209,140
Support services:					
Administration	84,899	-	84,899	-	84,899
Operation and maintenance of plant	98,380	-	98,380	-	98,380
Transportation	9,245	-	9,245	-	9,245
Non-instructional programs:					
Food service operations	2,037	-	2,037	-	2,037
Long-term debt:					
Principal	-	-	-	405,365	405,365
Interest and fiscal charges	-	-	-	154,501	154,501
Total expenditures	390,651	163,453	554,104	559,866	1,113,970
Excess(Deficiency) of revenues over(under) expenditures	(371,876)	31,178	(340,698)	(559,866)	(900,564)
OTHER FINANCING SOURCES:					
Transfer in	-	-	-	557,866	557,866
Change in fund balances	(371,876)	31,178	(340,698)	(2,000)	(342,698)
Fund balances beginning of year	1,156,275	89,144	1,245,419	501,528	1,746,947
Fund balances end of year	\$ 784,399	120,322	904,721	499,528	1,404,249

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AGWSR COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND ACCOUNTS
 JUNE 30, 2016

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 102,956	777,457	880,413
Receivables:			
Property tax:			
Delinquent	-	2,538	2,538
Succeeding year	-	271,737	271,737
Income surtax	-	329,610	329,610
Accounts	-	4,464	4,464
Due from other governments	97,718	-	97,718
TOTAL ASSETS	\$ 200,674	1,385,806	1,586,480
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ -	16,970	16,970
Intergovernmental payable	-	482	482
Accounts payable	-	8,197	8,197
Total liabilities	-	25,649	25,649
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	271,737	271,737
Income surtax	-	329,610	329,610
Total deferred inflows of resources	-	601,347	601,347
Fund balances:			
Restricted for:			
School infrastructure	200,674	-	200,674
Physical plant and equipment levy	-	758,810	758,810
Total fund balances	200,674	758,810	959,484
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 200,674	1,368,354	1,586,480

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AGWSR COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUND ACCOUNTS
 YEAR ENDED JUNE 30, 2016

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
REVENUES:			
Local sources:			
Local tax	\$ -	562,176	562,176
Other	1,663	61,329	62,992
State sources	593,907	2,835	596,742
Total revenues	<u>595,570</u>	<u>626,340</u>	<u>1,221,910</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	-	10,092	10,092
Other	-	919	919
Support services:			
Instructional staff	1,234	124,420	125,654
Administration	-	37,611	37,611
Operation and maintenance of plant	-	89,037	89,037
Transportation	-	179,526	179,526
Capital outlay	9,747	74,317	84,064
Total expenditures	<u>10,981</u>	<u>515,922</u>	<u>526,903</u>
Excess of revenues over expenditures	584,589	110,418	695,007
Other financing sources(uses):			
Transfer out	(499,528)	(58,338)	(557,866)
Change in fund balances	85,061	52,080	137,141
Fund balances beginning of year	<u>115,613</u>	<u>706,730</u>	<u>822,343</u>
Fund balances end of year	<u>\$ 200,674</u>	<u>758,810</u>	<u>959,484</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AGWSR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2016

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Speech	\$ 690	4,248	3,344	1,594
Vocal	-	1,697	644	1,053
Band	-	1,609	814	795
Cross country	528	-	-	528
Boys basketball	4,706	5,555	6,584	3,677
Football	10,806	16,265	13,915	13,156
Baseball	-	7,896	7,896	-
Boys track	-	2,930	2,930	-
Boys golf	-	2,254	1,281	973
Boys bowling	886	-	96	790
Wrestling	480	4,255	4,735	-
Girls basketball	6,847	7,620	6,967	7,500
Volleyball	6,564	7,768	7,463	6,869
Softball	1,098	15,645	16,743	-
Girls track	-	953	953	-
Girls golf	32	1,488	1,520	-
Athletics	11,123	10,247	2,997	18,373
After prom	99	-	-	99
Art club	559	120	-	679
Clay targeting club	612	-	-	612
Booster club donations	-	222	222	-
Cheerleaders	-	421	421	-
Class of 2015	375	-	341	34
Class of 2016	780	-	780	-
Class of 2017	-	7,590	4,751	2,839
Class of 2014	70	-	70	-
Spring Musical/Play	1,039	177	621	595
Drill team	1,452	1,905	2,158	1,199
Elementary music fundraiser	376	-	-	376
Fall musical	3,047	2,678	1,934	3,791
FCCLA	487	298	615	170
FFA	2,412	60,656	47,532	15,536
Foreign language club	21	7	-	28
Mat club	141	-	-	141
Material for resale	14	-	-	14
Music trip fund	18,801	12,544	6,952	24,393
National honor society	247	18	-	265
Nurse	150	-	150	-
Student council	796	4,915	5,616	95
Torch	9,321	12,150	10,883	10,588
Youth basketball	241	-	225	16
Youth football	3,570	500	1,300	2,770
Flag football	774	-	-	774
TOTAL	\$ 89,144	194,631	163,453	120,322

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AGWSR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUNDS
 YEAR ENDED JUNE 30, 2016

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<u>COUGAR IMPACT</u>				
ASSETS				
Cash and pooled investments	\$ 7,322	21,912	19,394	9,840
LIABILITIES				
Due to other groups	\$ 7,322	21,912	19,394	9,840
<u>COUGAR CONNECTION</u>				
ASSETS				
Cash and pooled investments	\$ 13,576	9,488	10,815	12,249
LIABILITIES				
Due to other groups	\$ 13,576	9,488	10,815	12,249
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and pooled investments	\$ 20,898	31,400	30,209	22,089
LIABILITIES				
Due to other groups	\$ 20,898	31,400	30,209	22,089

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AGWSR 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,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Local sources:										
Local tax	\$ 3,878,954	3,697,647	3,683,323	4,111,026	4,784,546	4,759,307	4,762,974	4,872,510	4,830,275	4,757,060
Tuition	207,333	136,141	187,628	192,068	187,371	322,770	240,815	237,111	252,150	232,604
Other	446,479	479,537	476,425	456,963	435,398	537,635	471,441	453,238	423,310	464,362
State sources	3,705,107	3,416,764	3,514,905	3,081,919	3,060,643	2,838,624	2,539,863	3,169,761	3,143,861	3,220,655
Federal sources	216,655	182,097	178,567	182,277	214,606	380,354	667,676	222,826	192,547	209,234
Total	\$ 8,454,528	7,912,186	8,040,848	8,024,253	8,682,564	8,838,690	8,682,769	8,955,446	8,842,143	8,883,915
Expenditures:										
Instruction:										
Regular	\$ 3,439,522	3,346,291	3,251,154	3,250,097	3,314,126	3,274,789	3,005,112	3,333,739	3,162,690	3,199,790
Special	1,066,168	860,075	875,116	943,730	1,022,076	998,301	1,058,571	1,084,424	1,014,283	1,026,015
Other	875,568	796,862	879,055	974,827	969,390	976,873	977,139	1,071,314	1,054,820	918,241
Support services:										
Student	103,624	102,834	84,123	70,414	73,338	89,139	95,915	48,586	58,624	87,292
Instructional staff	336,121	298,304	286,788	260,940	554,618	460,026	288,953	283,863	352,093	460,685
Administration	611,916	580,112	661,423	649,786	628,260	613,090	742,988	760,376	697,426	758,660
Operation and maintenance of plant	706,402	694,062	754,905	683,389	625,201	643,880	623,404	608,118	622,784	601,767
Transportation	569,385	590,177	614,845	509,692	523,922	505,955	605,266	582,492	474,441	540,451
Non-instructional programs	9,282	5,753	3,499	2,094	1,879	-	968	-	-	22,699
Capital outlay	84,064	3,339,948	4,120,839	649,941	205,770	239,347	264,197	434,232	441,775	262,830
Long-term debt:										
Principal	405,365	350,000	360,871	148,321	147,479	150,144	133,333	133,333	133,333	133,333
Interest and other charges	154,501	158,528	152,581	6,087	11,463	13,200	17,600	22,000	26,546	30,800
Other expenditures:										
AEA flow-through	267,312	262,806	263,236	255,367	263,495	296,938	295,137	260,298	253,638	251,670
Total	\$ 8,629,230	11,385,752	12,308,435	8,404,685	8,341,017	8,261,682	8,108,583	8,622,775	8,292,453	8,294,233

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 AGWSR 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 AGWSR Community School District as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 1, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered AGWSR 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 AGWSR Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of AGWSR 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 in internal control described in Part I of the accompanying Schedule of Findings as item I-A-16 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 in internal control described in Part I of the accompanying Schedule of Findings as item I-B-16 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether AGWSR 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, 2016 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.

AGWSR Community School District's Responses to Findings

AGWSR Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. AGWSR 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 AGWSR 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.

February 1, 2017
Newton, Iowa

AGWSR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-16 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 one or more of the following areas for the District:

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

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

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

I-B-16 Supporting Documentation - We noted payments for credit cards purchases which were paid from the credit card statement without detailed supporting documentation.

Recommendation - The District has a policy in place for credit card usage, which states that the users of the credit cards need to provide detailed receipts for purchases made. The District should review procedures in place with personnel using the District credit cards to ensure the proper detailed documentation will be available with paid credit card statements.

Response - We will continue to monitor our procedures, making sure necessary receipts are being submitted.

Conclusion - Response accepted.

AGWSR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-16 Certified Budget - District expenditures for the year ended June 30, 2016 exceeded the certified budgeted amounts in the instruction functional area.
- Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- Response - This was an oversight, we will monitor closer in the future.
- Conclusion - Response accepted.
- II-B-16 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-16 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-16 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-16 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-16 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-16 Certified Enrollment - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-H-16 Supplemental Weighting - We noted the supplementary weighting data certified to the Iowa Department of Education appears to have been overstated by 1.46.
- Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.
- Response - We are aware of this and it has been resolved.
- Conclusion - Response accepted.
- II-I-16 Deposits and Investments - The District's investment policy 704.3 appears to be in compliance with Chapter 12B and 12C of the Code of Iowa. However, during our audit, we noted the District owned Prudential stock. The District's ownership of Prudential stock does not appear to be in compliance with the District policy 704.3 and Chapters 12B and 12C of the Code of Iowa.
- Recommendation - The District should review Board policy 704.3 and Chapters 12B and 12C of the Code of Iowa. The Prudential stock should be sold and the District should invest in an investment that is in compliance with the District policy and Chapter 12B and 12C of the Code of Iowa.
- Response - The stock is in the process of being sold.
- Conclusion - Response accepted.

- II-J-16 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-16 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-16 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2016, the following information includes the amounts the District reported for the statewide sales, services, and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2016 audit.

Beginning balance		\$ 115,613
Revenues/transfers in:		
Sales tax revenues	\$ 593,907	
Other local revenue	1,663	595,570
		<u>711,183</u>
Expenditures/transfers out:		
Equipment	1,234	
Other	9,747	
Transfers to other funds:		
Debt service fund	499,528	510,509
		<u>510,509</u>
Ending balance		<u>\$ 200,674</u>

For the year ended June 30, 2016, the District reduced the following levy as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 1.45583	<u>\$ 499,528</u>

- II-M-16 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 wage 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 start documenting hours for non-certified coaches.

Conclusion - Response accepted.