

**AURELIA COMMUNITY SCHOOL DISTRICT
AURELIA, IOWA**

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

YEAR ENDED JUNE 30, 2016

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Aurelia Community School District
Aurelia, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2015 Election)		
Dan Winterhof	President	2017
Jennifer Kaskey	Vice President	2017
Brad Rohwer	Board Member	2015
Sue Sangwin	Board Member	2015
Nicky Sleezer	Board Member	2015
(After September 2015 Election)		
Dan Winterhof	President	2017
Brad Rohwer	Vice President	2019
Jennifer Kaskey	Board Member	2017
Sue Sangwin	Board Member	2019
Nicky Sleezer	Board Member	2019
School Officials		
Lynn Evans	Superintendent	2016
Vicki Kolpin	District Secretary/Treasurer and Business Manager	2016
Ahlers & Cooney, P.C.	Attorney	2016

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

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Independent Auditor's Report

To the Board of Education of
Aurelia 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 Aurelia Community School District, Aurelia, 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 principles 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 Aurelia Community School District as of June 30, 2016 and the respective changes in financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require 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 5 through 14 and 59 through 67 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 Aurelia Community School District's basic financial statements. Other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 (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 March 31, 2017, on our consideration of Aurelia Community School District's internal control over financial reporting and 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 Aurelia Community School District's internal control over financial reporting and compliance.

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

March 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Aurelia 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 \$3,167,898 in fiscal year 2015 to \$3,226,010 in fiscal year 2016, while General Fund expenditures decreased from \$3,202,141 in fiscal year 2015 to \$3,182,433 in fiscal year 2016. The District's General Fund balance increased from \$1,322,694 at the end of fiscal year 2015, to \$1,397,156 at the end of fiscal year 2016, a 5.6% increase.
- The fiscal year 2016 General Fund revenue increase was attributable to increases in other local sources and state revenue. Expenditures did not vary significantly from 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 Aurelia 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 Aurelia Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Aurelia 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.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

The District's internal service fund (another type of proprietary fund) is the same as its governmental activities but provides more detail and additional information, such as cash flows. The District has one internal service fund: Flex Spending Plan.

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds, as follows:
 - Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2016 compared to June 30, 2015.

Figure A-1
Condensed Statement of Net Position
(Expressed in Thousands)

	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, 2015-2016
	2016	restated)	2016	restated)	2016	restated)	2015-2016
Current and other assets	\$ 5,133	5,146	18	60	5,151	5,206	-1.1%
Capital assets	<u>2,097</u>	<u>1,958</u>	<u>70</u>	<u>73</u>	<u>2,167</u>	<u>2,031</u>	<u>6.7%</u>
Total assets	<u>7,230</u>	<u>7,104</u>	<u>88</u>	<u>133</u>	<u>7,318</u>	<u>7,237</u>	<u>1.1%</u>
Deferred outflows of resources	<u>178</u>	<u>186</u>	<u>6</u>	<u>9</u>	<u>184</u>	<u>195</u>	<u>-5.6%</u>
Long-term liabilities	2,008	1,528	36	31	2,044	1,559	31.1%
Other liabilities	<u>550</u>	<u>624</u>	<u>3</u>	<u>---</u>	<u>553</u>	<u>624</u>	<u>-11.4%</u>
Total liabilities	<u>2,558</u>	<u>2,152</u>	<u>39</u>	<u>31</u>	<u>2,597</u>	<u>2,183</u>	<u>19.0%</u>
Deferred inflows of resources	<u>1,818</u>	<u>1,911</u>	<u>5</u>	<u>13</u>	<u>1,823</u>	<u>1,924</u>	<u>-5.2%</u>
Net position:							
Net investment in capital assets	1,222	943	70	73	1,292	1,016	27.2%
Restricted	1,585	1,670	---	---	1,585	1,670	-5.1%
Unrestricted	<u>225</u>	<u>614</u>	<u>(20)</u>	<u>25</u>	<u>205</u>	<u>639</u>	<u>-67.9%</u>
Total net position	<u>\$ 3,032</u>	<u>3,227</u>	<u>50</u>	<u>98</u>	<u>3,082</u>	<u>3,325</u>	<u>-7.3%</u>

The District's total net position decreased 7.3%, or approximately \$243,000 from the prior year. A 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 resources other than capital assets.

Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$85,000, or 5% over the prior year. The decrease was primarily a result of a decreased balance for school infrastructure.

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 approximately \$434,000, or 68%. This reduction in unrestricted net position was primarily a result of the District’s net pension liability and pension expense being restated in the current year.

Figure A-2 shows the changes in net position for the year ended June 30, 2016 compared to the year ended June 30, 2015.

Figure A-2
Changes in Net Position
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2016 (Not restated)	2015	2016 (Not restated)	2015	2016 (Not restated)	2015-2016
Revenues:							
Program revenues:							
Charges for service	\$ 625	641	71	74	696	715	-2.7%
Operating grants, contribution and restricted interest	419	434	85	82	504	516	-2.3%
Capital grants, contributions and restricted interest	---	---	---	---	---	---	0.0%
General revenues:							
Property tax	1,561	1,568	---	---	1,561	1,568	-0.4%
Statewide sales, services and use tax	233	232	---	---	233	232	0.4%
Income surtax	97	96	---	---	97	96	1.0%
Unrestricted state grants	784	728	---	---	784	728	7.7%
Unrestricted investment earnings	9	2	---	---	9	2	350.0%
Other	52	612	---	---	52	612	-91.5%
Total revenues	<u>3,780</u>	<u>4,313</u>	<u>156</u>	<u>156</u>	<u>3,936</u>	<u>4,469</u>	<u>-11.9%</u>
Program expenses:							
Instruction	2,303	2,290	---	---	2,303	2,290	0.6%
Support services	980	1,015	---	---	980	1,015	-3.4%
Non-instructional programs	---	10	165	162	165	172	-4.1%
Other expenses	172	161	---	---	172	161	6.8%
Total expenses	<u>3,455</u>	<u>3,476</u>	<u>165</u>	<u>162</u>	<u>3,620</u>	<u>3,638</u>	<u>-0.5%</u>
Excess (deficiency) of revenues over (under) expenses before transfers	325	837	(9)	(6)	316	831	-62.0%
Transfers	35	---	(35)	---	---	---	0.0%
Change in net position	360	837	(44)	(6)	316	831	-62.0%
Net position beginning of year, as restated	<u>2,672</u>	<u>2,390</u>	<u>94</u>	<u>104</u>	<u>2,766</u>	<u>2,494</u>	<u>10.9%</u>
Net position end of year	<u><u>\$3,032</u></u>	<u><u>3,227</u></u>	<u><u>50</u></u>	<u><u>98</u></u>	<u><u>3,082</u></u>	<u><u>3,325</u></u>	<u><u>-7.3%</u></u>

In fiscal year 2016, property tax and unrestricted state grants accounted for 62.0% of governmental activities revenues while charges for service and operating grants, contributions and restricted interest accounted for 100% of business type activities revenue. The District's total revenues were approximately \$3.9 million, of which approximately \$3.8 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-2, the District as a whole experienced an 11.9% decrease in revenues and a 0.5% decrease in expenses. The primary reason for the decrease in revenue was other sources. Expenditures did not vary significantly from the prior year.

Governmental Activities

Revenues for governmental activities were \$3,780,253 and expenses were \$3,455,532 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.

Figure A-3
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2016	2015 (Not restated)	Change 2015-2016	2016	2015 (Not restated)	Change 2015-2016
Instruction	2,303	2,290	0.6%	1,439	1,385	3.9%
Support services	980	1,015	-3.4%	905	948	-4.5%
Non-instructional programs	---	10	-100.0%	---	10	-100%
Other expenses	172	161	6.8%	68	57	19.3%
Total	3,455	3,476	-0.6%	2,412	2,400	0.5%

For the year ended June 30, 2016:

- The cost financed by users of the District's programs was \$624,942.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$418,971.
- The net cost of governmental activities was financed with \$1,891,667 in property and other taxes and \$784,153 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2016 were \$156,415 representing a 0.5% increase from the prior year, while expenses totaled \$164,859, a 1.9% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Aurelia 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 \$2,673,306, below last year's ending fund balances of \$2,704,261. However, primary reason for the decrease in combined fund balances at the end of fiscal 2016 is due to the decrease in the Sales Tax fund balance.

Governmental Fund Highlights

- The General Fund balance increased from \$1,322,694 to \$1,397,156 due, in part to an increase in other local source and state revenues.
- The Management Fund balance increased from \$388,053 to \$421,831 due in part to an increase in property tax revenue. Expenditures decrease slightly from the prior year.
- The Debt Service Fund balance decreased from \$148,674 to \$148,251. Revenues and expenditures did not vary significantly from the prior year.
- The Capital Projects Fund balance decreased from \$970,982 to \$831,524 primarily due to an increase in facilities acquisition expenditures.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$93,808 at June 30, 2015 to \$50,104 at June 30, 2016, representing a decrease of approximately 47%. The primary reason for this decrease was the District made a transfer to the General Fund for insurance cost that should have been paid from the Nutrition Fund in the prior years.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$20,833 more than budgeted revenues, a variance of 0.5%.

Total expenditures were less than budgeted by \$405,865, a variance of 9.2%. This was mainly 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, expenditures in the other expenditures functional area exceeded the amounts budgeted due to timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had invested approximately \$2.2 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) This represents a net increase of 6.6% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$180,873.

The original cost of the District's capital assets was approximately \$5.0 million. Governmental funds account for approximately \$4.9 million, with the remainder approximately \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-4
Capital Assets, Net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-2016
Land	\$ 31	31	-	-	31	31	0.0%
Construction in progress	35	-	-	-	35	-	100.0%
Buildings	1,640	1,564	-	-	1,640	1,564	4.9%
Improvements other than buildings	-	-	-	-	-	-	0.0%
Furniture and equipment	<u>391</u>	<u>364</u>	<u>70</u>	<u>73</u>	<u>461</u>	<u>437</u>	<u>5.5%</u>
Total	<u>\$ 2,097</u>	<u>1,959</u>	<u>70</u>	<u>73</u>	<u>2,167</u>	<u>2,032</u>	<u>6.6%</u>

Long-Term Debt

At June 30, 2016, the District had \$954,167 in total long-term debt outstanding. This represents a decrease of approximately 16.4% from last year. (See Figure A-5) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5% of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$16 million.

The District had total outstanding bonded indebtedness at June 30, 2016 of \$875,696.

Figure A-5
Outstanding Long-Term Obligations
(expressed in thousands)

	Total District	Total Change	June 30, 2016	June 30, 2015	2015-2016
Revenue bonds	\$ 876		1,015		-13.7%
Early retirement payable	<u>78</u>		<u>125</u>		<u>-37.6%</u>
Total	\$ 954		1,140		-16.3%
	=====		=====		=====

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 2015 enrollment showed no change from the previous year. Expenses will continue to be monitored carefully.
- The phase out of the budget guarantee will affect the District's financial resources in the future. Management continues to monitor expenses to ensure good financial health. Costs outside of the Board's control such as health insurance, fuel and utilities continue to be worrisome.
- The addition of the Local Option Sales Tax has provided resources to improve the District facilities. The District used these funds to make structural improvements. The Board continues to look at projects as funds are available.

- The District's main priority is to provide the resources needed for excellent student achievement. The Board entered into a whole grade sharing agreement with Alta to ensure that the students receive an excellent education. Whole-grade sharing began with the 2011-2012 school year. The boards have renewed the agreement for ten years.
- The District entered into an agreement with Alta to share fifth grade beginning with the 2016-2017 school year.
- The District has begun exploring reorganization with Alta.

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 Vicki Kolpin, District Secretary/Treasurer and Business Manager, Aurelia Community School District, 300 Ash Street, Aurelia, Iowa, 51005.

Basic Financial Statements

Aurelia Community School District
Aurelia, Iowa

Exhibit A

Statement of Net Position

June 30, 2016

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 2,501,208	8,490	2,509,698
Restricted cash	275,751	-	275,751
Receivables:			
Property tax:			
Delinquent	16,179	-	16,179
Succeeding year	1,644,647	-	1,644,647
Accounts	4,693	25	4,718
Accrued interest	25	-	25
Due from other governments	686,394	5,084	691,478
Due from other funds	933	(933)	-
Prepaid Expenses	2,558	-	2,558
Inventories	-	5,089	5,089
Capital assets, net of accumulated depreciation	<u>2,097,064</u>	<u>70,381</u>	<u>2,167,445</u>
Total assets	<u>7,229,452</u>	<u>88,136</u>	<u>7,317,588</u>
Deferred Outflows of Resources			
Pension related deferred outflows	<u>178,213</u>	<u>5,912</u>	<u>184,125</u>
Liabilities			
Accounts payable	534,274	-	534,274
Salaries and benefits payable	7,679	-	7,679
Unearned revenue	-	3,068	3,068
Accrued interest payable	7,963	-	7,963
Long-term liabilities:			
Portion due within one year:			
Revenue bonds	140,000	-	140,000
Early retirement	39,816	-	39,816
Portion due after one year:			
Revenue bonds	735,000	-	735,000
Unamortized bond premium	696	-	696
Early retirement	38,655	-	38,655
Net pension liability	1,027,254	34,234	1,061,488
Net OPEB liability	<u>26,444</u>	<u>1,556</u>	<u>28,000</u>
Total liabilities	<u>2,557,781</u>	<u>38,858</u>	<u>2,596,639</u>

(continued)

Aurelia Community School District
Aurelia, Iowa

Exhibit A

Statement of Net Position

June 30, 2016

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	1,644,647	-	1,644,647
Pension related deferred inflows	<u>173,358</u>	<u>5,086</u>	<u>178,444</u>
Total deferred inflows of resources	<u>1,818,005</u>	<u>5,086</u>	<u>1,823,091</u>
Net Position			
Net investment in capital assets	1,222,064	70,381	1,292,445
Restricted for:			
Categorical funding	249,701	-	249,701
Management levy purposes	343,360	-	343,360
Physical plant and equipment	545,543	-	545,543
School infrastructure	155,923	-	155,923
Student activities	22,796	-	22,796
Debt service	267,788	-	267,788
Unrestricted	<u>224,704</u>	<u>(20,277)</u>	<u>204,427</u>
Total net position	<u>\$ 3,031,879</u>	<u>50,104</u>	<u>3,081,983</u>

See notes to financial statements.

Aurelia Community School District
Aurelia, Iowa
Statement of Activities
Year ended June 30, 2016

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,570,424	292,750	201,048	-
Special instruction	424,898	228,123	24,106	-
Other instruction	307,885	35,775	82,441	-
	<u>2,303,207</u>	<u>556,648</u>	<u>307,595</u>	<u>-</u>
Support services:				
Student	102,118	21,434	6,416	-
Instructional staff	54,520	-	-	-
Administration	350,091	46,860	182	-
Operation and maintenance of plant	276,811	-	-	-
Transportation	196,334	-	-	-
	<u>979,874</u>	<u>68,294</u>	<u>6,598</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	7,276	-	-	-
Long-term debt interest	18,559	-	-	-
AEA flowthrough	104,778	-	104,778	-
Depreciation (unallocated)*	41,838	-	-	-
	<u>172,451</u>	<u>-</u>	<u>104,778</u>	<u>-</u>
Total governmental activities	<u>3,455,532</u>	<u>624,942</u>	<u>418,971</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	164,859	71,288	85,084	-
Total business type activities	<u>164,859</u>	<u>71,288</u>	<u>85,084</u>	<u>-</u>
Total	<u>\$ 3,620,391</u>	<u>696,230</u>	<u>504,055</u>	<u>-</u>
General Revenues:				
Property tax levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Transfers				
Total general revenues				
Change in net position				
Net position beginning of year, as restated				
Net position end of year				

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business Type Activities	Total
(1,076,626)	-	(1,076,626)
(172,669)	-	(172,669)
(189,669)	-	(189,669)
<u>(1,438,964)</u>	<u>-</u>	<u>(1,438,964)</u>
(74,268)	-	(74,268)
(54,520)	-	(54,520)
(303,049)	-	(303,049)
(276,811)	-	(276,811)
(196,334)	-	(196,334)
<u>(904,982)</u>	<u>-</u>	<u>(904,982)</u>
(7,276)	-	(7,276)
(18,559)	-	(18,559)
-	-	-
(41,838)	-	(41,838)
(67,673)	-	(67,673)
<u>(2,411,619)</u>	<u>-</u>	<u>(2,411,619)</u>
-	(8,487)	(8,487)
-	(8,487)	(8,487)
<u>(2,411,619)</u>	<u>(8,487)</u>	<u>(2,420,106)</u>
1,400,123	-	1,400,123
160,746	-	160,746
97,306	-	97,306
233,492	-	233,492
784,153	-	784,153
8,972	43	9,015
51,548	-	51,548
35,260	(35,260)	-
<u>2,771,600</u>	<u>(35,217)</u>	<u>2,736,383</u>
359,981	(43,704)	316,277
2,671,898	93,808	2,765,706
<u>\$ 3,031,879</u>	<u>50,104</u>	<u>3,081,983</u>

Aurelia Community School District
Aurelia, Iowa

Balance Sheet
Governmental Funds

June 30, 2016

	<u>General</u>	<u>Management</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Assets				
Cash and cash equivalents	\$ 1,267,052	512,228	-	679,305
Restricted cash	-	-	148,251	127,500
Receivables:				
Property tax:				
Delinquent	13,143	1,369	-	1,667
Succeeding year	1,323,526	150,000	-	171,121
Accounts	4,693	-	-	-
Accrued Interest	25	-	-	-
Prepaid Expense	-	-	-	2,558
Due from other funds	92,699	-	-	-
Due from other governments	648,045	-	-	38,349
Total assets	<u>\$ 3,349,183</u>	<u>663,597</u>	<u>148,251</u>	<u>1,020,500</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 516,419	-	-	17,855
Salaries and benefits payable	7,679	-	-	-
Due to other funds	11,383	91,766	-	-
Total liabilities	<u>535,481</u>	<u>91,766</u>	<u>-</u>	<u>17,855</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,323,526	150,000	-	171,121
Income surtax	93,020	-	-	-
Total deferred inflows of resources	<u>1,416,546</u>	<u>150,000</u>	<u>-</u>	<u>171,121</u>
Fund balances:				
Nonspendable for:				
Prepaid Expenses	-	-	-	2,558
Restricted for:				
Categorical funding	249,701	-	-	-
Debt service	-	-	148,251	127,500
Management levy purposes	-	421,831	-	-
Student activities	-	-	-	-
Special purposes by donors	-	-	-	-
School infrastructure	-	-	-	155,923
Physical plant and equipment	-	-	-	545,543
Unassigned	1,147,455	-	-	-
Total fund balances	<u>1,397,156</u>	<u>421,831</u>	<u>148,251</u>	<u>831,524</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,349,183</u>	<u>663,597</u>	<u>148,251</u>	<u>1,020,500</u>

See notes to financial statements.

Exhibit C

<u>Nonmajor</u>	<u>Total</u>
27,565	2,486,150
	275,751
-	16,179
-	1,644,647
-	4,693
-	25
-	2,558
11,383	104,082
-	686,394
<u>38,948</u>	<u>5,220,479</u>
-	534,274
-	7,679
-	103,149
<u>-</u>	<u>645,102</u>
-	1,644,647
-	93,020
<u>-</u>	<u>1,737,667</u>
-	2,558
-	249,701
-	275,751
-	421,831
22,796	22,796
16,152	16,152
-	155,923
-	545,543
-	1,147,455
<u>38,948</u>	<u>2,837,710</u>
<u>38,948</u>	<u>5,220,479</u>

Aurelia Community School District
Aurelia, Iowa

Exhibit D

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

June 30, 2016

Total fund balances of governmental funds (page 20) \$ 2,837,710

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 2,097,064

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 93,020

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds. (7,963)

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	\$ 178,213	
Deferred inflows of resources	<u>(173,358)</u>	4,855

Long-term liabilities, including bonds, early retirement, other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (2,007,865)

An internal service fund is used by the District to charge costs of the medical deductible reimbursement plan to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. 15,058

Net position of governmental activities (page 16) \$ 3,031,879

See notes to financial statements.

Aurelia Community School District
Aurelia, Iowa
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2016

	<u>General</u>	<u>Management</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Revenues:				
Local sources:				
Local tax	\$ 1,369,108	132,047	-	160,748
Tuition	531,340	-	-	-
Other	127,647	7,470	288	7,461
State sources	1,114,914	2,157	-	236,116
Federal sources	83,002	-	-	-
Total revenues	<u>3,226,011</u>	<u>141,674</u>	<u>288</u>	<u>404,325</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,548,211	45,503	-	49,665
Special	426,888	-	-	-
Other	303,044	-	-	-
	<u>2,278,143</u>	<u>45,503</u>	<u>-</u>	<u>49,665</u>
Support services:				
Student	104,962	-	-	1,000
Instructional staff	55,708	-	-	-
Administration	338,545	13,882	-	8,698
Operation and maintenance of plant	173,966	39,138	-	30,626
Transportation	126,331	9,373	-	133,634
	<u>799,512</u>	<u>62,393</u>	<u>-</u>	<u>173,958</u>
Other expenditures:				
Facilities acquisition	-	-	-	161,496
Long-term debt:				
Principal	-	-	140,000	-
Interest and fiscal charges	-	-	18,375	1,000
AEA flowthrough	104,778	-	-	-
	<u>104,778</u>	<u>-</u>	<u>158,375</u>	<u>162,496</u>
Total expenditures	<u>3,182,433</u>	<u>107,896</u>	<u>158,375</u>	<u>386,119</u>
Excess (deficiency) of revenues over (under) expenditures	<u>43,578</u>	<u>33,778</u>	<u>(158,087)</u>	<u>18,206</u>
Other financing sources (uses):				
Transfers in	35,259	-	157,664	-
Transfers out	(4,375)	-	-	(157,664)
Total other financing sources (uses)	<u>30,884</u>	<u>-</u>	<u>157,664</u>	<u>(157,664)</u>
Change in fund balances	74,462	33,778	(423)	(139,458)
Fund balances beginning of year	1,322,694	388,053	148,674	970,982
Fund balances end of year	<u>\$ 1,397,156</u>	<u>421,831</u>	<u>148,251</u>	<u>831,524</u>

See notes to financial statements.

Exhibit E

<u>Nonmajor</u>	<u>Total</u>
-	1,661,903
-	531,340
11,682	154,548
-	1,353,187
-	83,002
<u>11,682</u>	<u>3,783,980</u>
11	1,643,390
-	426,888
<u>15,367</u>	<u>318,411</u>
<u>15,378</u>	<u>2,388,689</u>
-	105,962
-	55,708
-	361,125
-	243,730
-	269,338
<u>-</u>	<u>1,035,863</u>
-	161,496
-	140,000
-	19,375
-	104,778
-	425,649
<u>15,378</u>	<u>3,850,201</u>
<u>(3,696)</u>	<u>(66,221)</u>
4,375	197,298
-	(162,039)
<u>4,375</u>	<u>35,259</u>
679	(30,962)
<u>38,269</u>	<u>2,868,672</u>
<u>38,948</u>	<u>2,837,710</u>

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 23) \$ (30,962)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. Those costs are not reported in the Statement of Activities, but they are allocated over their 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:

Expenditures for capital assets	\$ 311,098	
Depreciation expense	<u>(171,986)</u>	139,112

Certain delinquent property tax and income surtax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. (3,725)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments are as follows:

Premium on bonds issued	116	
Repaid	<u>140,000</u>	140,116

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 700

The current year District IPERS contributions are reported as expenditures in the governmental funds but are reported as a deferred outflow of resources in the Statement of Net Position. 128,726

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	46,952	
Pension expense	(68,076)	
Other postemployment benefits	<u>(7,919)</u>	<u>(29,043)</u>

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2016

An internal service fund is used to charge the cost of the medical deductible reimbursement plan to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

15,058

Change in net position of governmental activities (page 18)

\$ 359,982

See notes to financial statements.

Aurelia Community School District
Aurelia, Iowa

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2016

	Enterprise, School <u>Nutrition</u>	Governmental Activities - Internal <u>Service Fund</u>
Assets		
Current assets:		
Cash, cash equivalents and pooled investments	\$ 8,490	15,058
Accounts receivable	25	-
Due from other governments	5,084	-
Inventories	<u>5,089</u>	<u>-</u>
Total current assets	<u>18,688</u>	<u>15,058</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>70,381</u>	<u>-</u>
Total assets	<u>89,069</u>	<u>15,058</u>
Deferred Outflows of Resources		
Pension related deferred outflows	<u>5,912</u>	<u>-</u>
Liabilities		
Current liabilities:		
Due to other funds	933	-
Unearned revenue	<u>3,068</u>	<u>-</u>
Total current liabilities	<u>4,001</u>	<u>-</u>
Noncurrent liabilities:		
Net pension liability	34,234	-
Net OPEB liability	<u>1,556</u>	<u>-</u>
Total noncurrent liabilities	<u>35,790</u>	<u>-</u>
Total liabilities	<u>39,791</u>	<u>-</u>
Deferred Inflows of Resources		
Pension related deferred inflows	<u>5,086</u>	<u>-</u>
Net Position		
Net investment in capital assets	70,381	-
Unrestricted	<u>(20,277)</u>	<u>15,058</u>
Total net position	<u>\$ 50,104</u>	<u>15,058</u>

See notes to financial statements.

Aurelia Community School District
Aurelia, Iowa

Exhibit H

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

Year ended June 30, 2016

	<u>Enterprise, School Nutrition</u>	<u>Governmental Activities - Internal Service Fund</u>
Operating revenues:		
Local sources:		
Charges for service	\$ 71,184	-
Miscellaneous	103	46,394
Total operating revenues	71,287	46,394
Operating expenses:		
Support services:		
Administration	-	31,336
Non-instructional programs:		
Food service operations:		
Salaries	50,200	-
Benefits	20,102	-
Purchased services	2,870	-
Supplies	82,800	-
Depreciation	8,887	-
Total operating expenses	164,859	31,336
Total operating expenses	164,859	31,336
Operating income (loss)	(93,572)	15,058
Non-operating revenues:		
State sources	1,213	-
Federal sources	83,871	-
Interest income	43	-
Total non-operating revenues	85,127	-
Income before operating transfers	(8,445)	15,058
Other financing sources (uses):		
Operating transfers out	(35,259)	-
Increase (decrease) in net position	(43,704)	15,058
Net position beginning of year, as restated	93,808	-
Net position end of year	\$ 50,104	15,058

See notes to financial statements.

Aurelia Community School District
Aurelia, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2016

	<u>Enterprise, School Nutrition</u>	<u>Governmental Activities - Internal Service Fund</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 71,888	-
Cash received from miscellaneous operating activities	103	46,394
Cash paid to employees for services	(70,791)	-
Cash paid to suppliers for goods or services	<u>(76,839)</u>	<u>(31,336)</u>
Net cash used by operating activities	<u>(75,639)</u>	<u>15,058</u>
Cash flows from non-capital financing activities:		
State grants received	1,213	-
Federal grants received	66,733	-
Transfer to General Fund	<u>(35,259)</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>32,687</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(6,053)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>43</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(48,962)	15,058
Cash and cash equivalents beginning of year	<u>57,452</u>	<u>-</u>
Cash and cash equivalents end of year	<u>\$ 8,490</u>	<u>15,058</u>
See notes to financial statements.		(continued)

Aurelia Community School District
Aurelia, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2016

	<u>Enterprise, School Nutrition</u>	<u>Governmental Activities - Internal Service Fund</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating income (loss)	\$ (93,572)	15,058
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Commodities used	12,054	-
Depreciation	8,887	-
(Increase) in accounts receivable	(15)	-
(Increase) in inventories	(3,223)	-
Increase in due to other funds	933	-
Increase in deferred revenue	719	-
Increase in net pension liability	3,225	-
(Increase) in deferred outflows of resources	(468)	-
(Decrease) in deferred inflows of resources	(5,220)	-
Increase in other postemployment benefits	1,041	-
Net cash used by operating activities	<u>\$ (75,639)</u>	<u>15,058</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2016, the District received \$12,054 of federal commodities.

See notes to financial statements.

Aurelia Community School District
Aurelia, Iowa

Exhibit J

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2016

	Private Purpose Trust <u>Scholarship</u>	<u>Agency</u>
Assets		
Cash and cash equivalents	\$ 4,855	193
Accrued interest receivable	<u>1</u>	<u>-</u>
Total assets	<u>4,856</u>	<u>193</u>
Liabilities		
Other liabilities	<u>-</u>	<u>193</u>
Total liabilities	<u>-</u>	<u>193</u>
Net position	<u>4,856</u>	<u>-</u>

See notes to financial statements.

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2016

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 4
Total additions	<u>4</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	200
Support services:	
Other General Supplies	<u>128</u>
Total deductions	<u>328</u>
Change in net position	(324)
Net position beginning of year	<u>5,180</u>
Net position end of year	<u>\$ 4,856</u>
See notes to financial statements.	

Aurelia Community School District
Aurelia, Iowa

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies

Aurelia Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. An academic sharing agreement exists with Alta Community School District whereby grades six through eight attend the Aurelia Community School District and grades nine through twelve attend Alta Community School District. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Aurelia, Iowa, and the predominate agricultural territory in Buena Vista and Cherokee Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Aurelia 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 Aurelia Community School District Foundation is a component unit. The Foundation's financial statements have been blended with the financial statements of the District and are included as a Nonmajor Governmental, District Support Trust Fund.

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The Aurelia Community School District Foundation was established to operate exclusively for the benefit of the Aurelia Community School District. The foundation may 1) receive, administer, and distribute funds, property and gifts of any kind, 2) develop, administer and distribute scholarships, 3) develop and minister programs to enhance classroom instruction and 4) may take any other action deemed necessary or desirable to enhance or develop education programs or facilities.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Buena Vista and Cherokee County Assessor's Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the 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 attributable to the acquisition, construction or improvement of those assets.

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

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

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

Fund Financial Statements— Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as 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 Special Revenue, Management Levy Fund is used to account for the cost of unemployment benefits, liability insurance and agreements, costs of judgments, and certain early retirement benefits.

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

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

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The District reports the following major proprietary fund:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 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.

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

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

Capital Assets – Capital assets, which include property, furniture, and equipment are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 5,000
Buildings	1,500
Improvements other than buildings	1,500
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50
Improvements other than buildings	5 - 25
Intangibles	3 - 10
Furniture and equipment	5 - 15

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Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) and will not be recognized as an outflow of resources (expenses/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 employees with hours worked in June not paid until July, have been accrued as liabilities.

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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

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

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

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

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

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or are legally or contractually required to be maintained intact.

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

Unassigned – All amounts not included in the preceding classifications.

E. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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F. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2016, expenditures exceeded the amounts budgeted in the other expenditures function.

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

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 investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$8,030 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 the Iowa Schools Joint Investment Trust was rated AAAM by Standards & Poor's Financial Services.

Interest rate risk- The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

A reconciliation of cash, cash equivalents and investments as shown on the financial statements of the District is as follows:

Depository accounts	\$ 2,102,419
Certificate of deposit	675,000
Iowa Schools Joint Investment Trust Diversified Portfolio	<u>8,030</u>
	\$ <u>2,785,449</u>

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Cash, cash equivalents and pooled investments	\$ 2,509,698
Restricted cash and pooled investments	<u>275,751</u>
	<u>\$ 2,785,449</u>

Concentration of credit risk- The District's investment policy seeks diversification to reduce overall portfolio risk while maintaining market rates of return to enable the District to meet its anticipated cash requirements. The District does not have a policy specific to concentration of credit risk. At June 30, 2016, the District had no investments subject to concentration of credit risk.

Custodial credit risk- For deposits, this is the risk that in the event of bank failure, the District's deposits may not be returned. For an investment, this is the risk that in the event of failure of the counterparty, the District will not be able to recover the value of the investments or collateral securities that are in the possession of the outside party. 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 ensure there will be no loss of public funds. The District's investments are held by a custodian in the name of the District.

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

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2016 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue:	
	Management	\$ 91,766
	Enterprise:	
	School Nutrition	933
Special Revenue:		
Student Activity	General	<u>11,383</u>
Total		<u>\$ 104,082</u>

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The Management Fund owes the General Fund for retiree's insurance that was paid from the General Fund. The School Nutrition Fund owes the General Fund for cooks' insurance paid from the General Fund. The General Fund owes the Student Activity Fund for coaching expenses that were paid from the Student Activity Fund.

(4) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Enterprise: Nutrition	\$ 35,259
Special Revenue: Student Activities	General	4,375
Debt Service	Capital Projects Statewide, Sales, Services And Use Tax	<u>157,664</u>
Total		<u>\$ 197,298</u>

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

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(5) **Capital Assets**

Capital assets 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	\$ 31,400	---	---	31,400
Construction in progress	<u>---</u>	<u>35,125</u>	<u>---</u>	<u>35,125</u>
Total capital assets not being depreciated	<u>31,400</u>	<u>35,125</u>	<u>---</u>	<u>66,525</u>
Capital assets being depreciated:				
Buildings	2,359,474	119,095	---	2,478,569
Improvements other than buildings	138,013	---	---	138,013
Furniture and equipment	<u>2,023,024</u>	<u>156,878</u>	<u>---</u>	<u>2,179,902</u>
Total capital assets being depreciated	<u>4,520,511</u>	<u>275,973</u>	<u>---</u>	<u>4,796,484</u>
Less accumulated depreciation for:				
Buildings	795,048	43,826	---	838,874
Improvements other than buildings	138,013	---	---	138,013
Furniture and equipment	<u>1,660,898</u>	<u>128,160</u>	<u>---</u>	<u>1,789,058</u>
Total accumulated depreciation	<u>2,593,959</u>	<u>171,986</u>	<u>---</u>	<u>2,765,945</u>
Total capital assets being depreciated, net	<u>1,926,552</u>	<u>103,987</u>	<u>---</u>	<u>2,030,539</u>
Governmental activities capital assets, net	<u>\$ 1,957,952</u>	<u>139,112</u>	<u>---</u>	<u>2,097,064</u>
<hr/>				
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 125,549	6,053	---	131,602
Less accumulated depreciation	<u>52,334</u>	<u>8,887</u>	<u>---</u>	<u>61,221</u>
Business type activities capital assets, net	<u>\$ 73,215</u>	<u>(2,834)</u>	<u>---</u>	<u>70,381</u>

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Depreciation expense was charged to the following functions:

Governmental activities:		
Instruction:		
Regular		\$ 35,994
Support services:		
Administration		2,867
Operation and maintenance of plant		36,154
Transportation		<u>55,133</u>
		130,148
Unallocated		<u>41,838</u>
Total depreciation expense – governmental activities		<u>\$ 171,986</u>
Business type activities:		
Food service operations		<u>\$ 8,887</u>

(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	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 1,015,000	---	139,304	875,696 (1)	140,000
Early retirement	125,423	---	46,952	78,471	39,816
Net pension liability	917,272	109,982	---	1,027,254	---
Net OPEB liability	<u>18,525</u>	<u>7,919</u>	<u>---</u>	<u>26,444</u>	<u>---</u>
Total	<u>\$ 2,076,220</u>	<u>117,901</u>	<u>186,256</u>	<u>2,007,865</u>	<u>179,816</u>

(1) Bonds were sold at a premium; unamortized premium at June 30, 2016 totaled \$696.

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	Balance Beginning of Year Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net pension liability	\$ 31,008	3,226		34,234	---
Net OPEB liability	<u>515</u>	<u>1,041</u>	---	<u>1,556</u>	---
Total	<u>\$ 31,523</u>	<u>4,267</u>		<u>35,790</u>	---

Termination Benefits

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

Early retirement benefits is for a period of forty-eight months the District will pay an amount towards the retiree's health insurance equal to the cost of the single health insurance premium under the District's group health plan.

At June 30, 2016, the District has obligations to five participants with a total liability of \$78,471. Actual early retirement expenditures for the year ended June 30, 2016 totaled \$46,852.

Revenue Bonds

Details of the District's June 30, 2016 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	<u>Bond Issue of July 1, 2012</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	1.25%	\$ 140,000	15,050	155,050
2018	1.50%	140,000	13,125	153,125
2019	1.75%	145,000	10,806	155,806
2020	2.00%	145,000	8,088	153,088
2021	2.10%	150,000	5,062	155,062
2022	2.25%	<u>155,000</u>	<u>1,744</u>	<u>156,744</u>
Total		<u>\$ 875,000</u>	<u>53,875</u>	<u>928,875</u>

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The District has pledged future statewide sales, services and use tax revenues to repay the \$1,275,000 of bonds issued in July 2012. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2022. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 66% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$928,875. For the current year, principal and interest paid and total statewide sales, services and use tax revenues were \$156,625 and \$233,491, respectively.

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

- a) Bonds maturing after January 1, 2017, may be called for redemption by the issuer and paid before maturity on said date or any date thereafter.
- b) \$127,500 of the proceeds from the issuance of the revenue bonds shall be deposited to a revenue account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.
- c) Proceeds from the statewide sales, services and use tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund, after the required transfer to the sinking account, may be used for any lawful purpose. The sinking fund is part of the Debt Service Fund.

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(7) **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 the 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 informational purposes only. Refer to the plan documents for more information.

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

- A multiplier based on years of service.
- The member's highest five-year average salary, 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 the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012 the reduction is 0.50% for each month that the member receives benefits before age 65.

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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 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 \$133,186.

Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the District reported a liability of \$1,061,488 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

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contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's proportion was 0.0214855%, which was a decrease of 0.002425% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$70,072. 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	\$ 16,038	-
Changes of assumptions	29,225	-
Net difference between projected and actual earnings on IPERS' investments	-	88,343
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	5,676	90,101
District contributions subsequent to the measurement date	133,186	-
Total	\$ 184,125	178,444

\$133,186 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 Ending <u>June 30,</u>	<u>Amount</u>
2017	\$ (48,924)
2018	(48,924)
2019	(48,924)
2020	24,227
2021	(4,960)
Total	\$ (127,505)

Aurelia Community School District
Aurelia, Iowa

Notes to Financial Statements

June 30, 2016

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, as follows:

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:

Aurelia Community School District
Aurelia, Iowa

Notes to Financial Statements

June 30, 2016

<u>Asset Class</u>	<u>Asset Allocations</u>	<u>Long-Term Expected Real Rate Return</u>
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	<u>1</u>	(0.71)
Total	<u><u>100%</u></u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the IPERS’ fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on 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 that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
District’s proportionate share of the net pension liability	\$ 1,858,474	1,061,488	388,774

IPERS’ Fiduciary 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 no payables to IPERS.

Aurelia Community School District
Aurelia, Iowa

Notes to Financial Statements

June 30, 2016

(8) Other Postemployment Benefits (OPEB)

Plan Description – As explained in Note 9, the District is a member in the Iowa School Employees Benefits Association (ISEBA) which provides health insurance benefits for retirees and their spouses. There are 36 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

The health insurance benefits are provided through the plan. Retirees under age 65 pay the same premium for the health insurance benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$ 35,000
Interest on net OPEB obligation	1,000
Adjustment to annual required contribution	<u>(1,000)</u>
Annual OPEB cost	35,000
Contributions made	<u>(26,040)</u>
Increase in net OPEB obligation	8,960
Net OPEB obligation beginning of year	<u>19,040</u>
Net OPEB obligation end of year	<u>\$ 28,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

Aurelia Community School District
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Notes to Financial Statements

June 30, 2016

For the year ended June 30, 2016, the District contributed \$26,040 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 39,010	74%	\$ 15,010
2015	39,000	90%	19,040
2016	35,000	74%	28,000

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 \$259,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$259,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,334,000 and the ratio of the UAAL to covered payroll was 19.4%. 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.

Aurelia Community School District
Aurelia, Iowa

Notes to Financial Statements

June 30, 2016

As of the July 1, 2015 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4% discount rate based on the District's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 4.5%. The medical trend rate is reduced 0.5% each year until reaching the 4.5% ultimate trend rate.

Mortality rates are from the RP-2014 projected to 2030 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the District's average retirement age of pension eligible retirees over the last five years and applying termination factors from the U.S. Office of Personnel Management.

Projected claim costs of the health insurance plan are \$675 for retirees less than age 65 and \$118 per month for retirees who have attained age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

Aurelia Community School District is a member in the Iowa School Employees Benefits Association, (ISEBA), a 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 in July 1999 for the purpose of managing and funding employee benefits. The Association provides health coverage and protection.

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 were \$298,628.

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.

The 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.

Aurelia Community School District
Aurelia, Iowa

Notes to Financial Statements

June 30, 2016

(10) 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 \$104,778 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.

(11) Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 46,871
Gifted and talented program	72,960
Dropout prevention program	52,015
Teacher salary supplement	22,903
Early literature	27,971
Professional development	22,897
Teacher leadership	<u>4,084</u>
Total	\$ <u>249,701</u>

(12) Construction Commitments

The District entered into a contract totaling \$40,500 for the track project. The District also has started to remodel classrooms with initial cost of \$6,373. As of June 30, 2016, costs of \$35,125 had been incurred against the contracts. The balance of \$11,748 remaining at June 30, 2016 will be paid as work on the projects progresses.

(13) Restatement

During the year ended June 30, 2016 audit it was discovered the net pension liability was incorrectly reported in the Statement of Net Position for the Governmental Activities and the pension related deferred outflows for the Enterprise, Nutrition Fund was incorrectly reported. Also the bond issuance cost should have been expensed when GASB 65 became effective during fiscal year 2014. The beginning net position for these items was restated to reflect the correct balance.

Aurelia Community School District
Aurelia, Iowa

Notes to Financial Statements

June 30, 2016

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2015, as previously reported	\$ 3,227,389	97,790
Bond issuance cost	(6,789)	---
Net pension liability	(548,702)	---
Deferred outflows of resources	<u>---</u>	<u>(3,982)</u>
Net position July 1, 2015, as restated	<u>\$ 2,671,898</u>	<u>93,808</u>

(14) New Governmental Accounting Standards Board (GASB) Statements

As of June 30, 2016, GASB has issued several statements not yet required to be implemented by the District. The Statements which might impact the District are as follows:

GASB Statement No. 77, *Tax Abatement Disclosures*, issued August 2015, will be effective for the District beginning with its fiscal year ending June 30, 2017. The statement requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. The disclosures about the government's own tax abatement agreements includes the purpose of the tax abatement program, the tax being abated, the amount of tax being abated, the provisions of recapturing abated taxes, the types of commitments made by tax abatement receipts, and other commitments made by government in tax abatement agreements. The disclosures about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues include the name of the government entering into the abatement agreement, the tax being abated, and the amount of the reporting government's tax being abated.

GASB Statement No. 82, *Pension Issues*, issued April 2016, will be effective for the District beginning with its fiscal year ending June 30, 2017. Statement No.82 is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No.68, *Accounting and Financial Reporting for Pensions*, and No.73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within*

Aurelia Community School District
Aurelia, Iowa

Notes to Financial Statements

June 30, 2016

the Scope of GASB Statement 68, and the Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

District management has not yet determined the effect these GASB Statements will have on the Districts financial statements.

(15) Subsequent Events

Subsequent events have been evaluated through March 31, 2017, which is the date the financial statements were available to be issued.

Required Supplementary Information

Aurelia Community School District
Aurelia, Iowa

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

Required Supplementary Information

Year ended June 30, 2016

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 2,347,791	71,330
State sources	1,353,187	1,213
Federal sources	<u>83,002</u>	<u>83,871</u>
Total revenues	<u>3,783,980</u>	<u>156,414</u>
Expenditures/Expenses:		
Instruction	2,388,689	-
Support services	1,035,863	-
Non-instructional programs	-	164,859
Other expenditures	<u>425,649</u>	<u>-</u>
Total expenditures/expenses	<u>3,850,201</u>	<u>164,859</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(66,221)	(8,445)
Other financing sources, net	<u>35,259</u>	<u>(35,259)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(30,962)	(43,704)
Balances beginning of year	<u>2,868,672</u>	<u>93,808</u>
Balances end of year	<u>\$ 2,837,710</u>	<u>50,104</u>

See accompanying independent auditor's report.

Total <u>Actual</u>	Budgeted Amounts		Final to Actual <u>Variance</u>
	<u>Original</u>	<u>Final</u>	
2,419,121	2,428,595	2,428,595	(9,474)
1,354,400	1,325,465	1,325,465	28,935
166,873	165,500	165,500	1,373
<u>3,940,394</u>	<u>3,919,560</u>	<u>3,919,561</u>	<u>20,833</u>
2,388,689	2,605,000	2,605,000	216,311
1,035,863	1,344,200	1,344,200	308,337
164,859	197,000	197,000	32,141
425,649	273,683	273,683	(151,966)
<u>4,015,060</u>	<u>4,419,883</u>	<u>4,419,883</u>	<u>404,823</u>
(74,666)	(500,323)	(500,322)	425,656
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(74,666)	(500,323)	(500,322)	425,656
<u>2,962,480</u>	<u>2,325,278</u>	<u>2,325,278</u>	<u>637,202</u>
<u>2,887,814</u>	<u>1,824,955</u>	<u>1,824,956</u>	<u>1,062,858</u>

Aurelia Community School District
Aurelia, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2016

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

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

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

During the year ended June 30, 2016, expenditures in the other expenditures exceeded the amounts budgeted.

Aurelia Community School District
Aurelia, Iowa

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

Iowa Public Employees' Retirement System
For the Last Two Year*
(In Thousands)

Required Supplementary Information

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.021486%	0.023911%
District's proportionate share of the net pension liability	\$ 1,061	948
District's covered-employee payroll	\$ 1,472	1,564
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.08%	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.

See accompanying independent auditor's report.

Aurelia Community School District
Aurelia, Iowa

Schedule of District Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Required Supplementary Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 133	131	140
Contributions in relation to the statutorily required contribution	<u>(133)</u>	<u>(131)</u>	<u>(140)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 1,491	1,472	1,565
Contributions as a percentage of covered-employee payroll	8.92%	8.93%	8.93%

See accompanying independent auditor's report.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
130	124	97	92	94	100	92
<u>(130)</u>	<u>(124)</u>	<u>(97)</u>	<u>(92)</u>	<u>(94)</u>	<u>(100)</u>	<u>(92)</u>
-	-	-	-	-	-	-
1,504	1,538	1,409	1,377	1,477	1,646	1,596
8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%

Aurelia Community School District
Aurelia, Iowa

Notes to Required Supplementary Information -- Pension Liability

Year ended June 30, 2016

Changes of benefit terms:

Legislation passed 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% per year measured from the member's first unreduced retirement age to a 6% 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.

Aurelia Community School District
Aurelia, Iowa

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2016

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.

Aurelia Community School District
Aurelia, Iowa

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	Jul 1, 2009	-	\$ 389,000	389,000	0.0%	\$1,043,000	37.3%
2011	Jul 1, 2009	-	389,000	389,000	0.0%	1,244,000	31.3%
2012	Jul 1, 2009	-	389,000	389,000	0.0%	1,350,000	28.8%
2013	Jul 1, 2012	-	367,000	367,000	0.0%	1,380,000	26.6%
2014	Jul 1, 2012	-	367,000	367,000	0.0%	1,470,000	25.0%
2015	Jul 1, 2012	-	367,000	367,000	0.0%	1,380,000	26.6%
2016	Jul 1, 2015	-	259,000	259,000	0.0%	1,334,000	19.4%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

Aurelia Community School District
Aurelia, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2016

		<u>Special Revenue Funds</u>		
		<u>Student</u>	<u>District</u>	
		<u>Activities</u>	<u>Support</u>	
			<u>Trust</u>	<u>Total</u>
Assets				
Cash and cash equivalents		11,413	16,152	27,565
Due from other funds		11,383	-	11,383
Total assets		<u>22,796</u>	<u>16,152</u>	<u>38,948</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Total liabilities		-	-	-
Fund balances:				
Restricted for:				
Student activities		22,796	-	22,796
Special purposes by donors		-	16,152	16,152
Total fund balances		<u>22,796</u>	<u>16,152</u>	<u>38,948</u>
Total liabilities, deferred inflows of resources and fund balances		<u>22,796</u>	<u>16,152</u>	<u>38,948</u>

See accompanying independent auditor's report.

Aurelia Community School District
Aurelia, Iowa

Schedule 2

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2016

	Special Revenue Funds		
	Student Activities	District Support Trust	Total
Revenues:			
Local sources:			
Other	\$ 11,257	425	11,682
Total revenues	11,257	425	11,682
Expenditures:			
Current:			
Instruction:			
Regular	-	11	11
Other	15,367	-	15,367
	15,367	11	15,378
Excess (deficiency) of revenues over (under) expenditures	(4,110)	414	(3,696)
Other financing sources:			
Transfers in	4,375	-	4,375
Total other financing sources	4,375	-	4,375
Change in fund balances	265	414	679
Fund balances beginning of year	22,531	15,738	38,269
Fund balances end of year	\$ 22,796	16,152	38,948

See accompanying independent auditor's report.

Aurelia Community School District
Aurelia, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2016

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
Drama	\$ 887	902	935	-	854
Vocal	1,750	378	-	-	2,128
Instrumental Music	197	1,264	1,443	-	18
Music fund raiser	977	-	-	-	977
FCCLA	209	-	-	-	209
PBIS	149	603	559	-	193
JH Sports	6,762	8,540	8,760	-	6,542
Annual Staff	303	-	-	-	303
K-8 Student Council	8,479	3,945	3,670	-	8,754
Got Milk	231	-	-	-	231
Aurelia sports	948	-	-	-	948
Cheerleaders	1,639	-	-	-	1,639
Total	<u>\$ 22,531</u>	<u>15,632</u>	<u>15,367</u>	<u>-</u>	<u>22,796</u>

See accompanying independent auditor's report.

Aurelia Community School District
Aurelia, Iowa

Schedule 4

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 cash equivalents	\$ 125,817	553,488	679,305
Restricted cash	127,500	-	127,500
Receivables:			
Property tax:			
Delinquent	-	1,667	1,667
Succeeding year	-	171,121	171,121
Prepaid Expense	2,558	-	2,558
Due from other governments	38,349	-	38,349
	<u>\$ 294,224</u>	<u>726,276</u>	<u>1,020,500</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 8,243	9,612	17,855
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	171,121	171,121
Fund balances:			
Nonspendable for:			
Prepaid Expense	2,558	-	2,558
Restricted for :			
Debt service	127,500	-	127,500
School infrastructure	155,923	-	155,923
Physical plant and equipment	-	545,543	545,543
Total fund balances	<u>285,981</u>	<u>545,543</u>	<u>831,524</u>
	<u>\$ 294,224</u>	<u>726,276</u>	<u>1,020,500</u>

See accompanying independent auditor's report.

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances

Capital Projects Fund Accounts

Year ended June 30, 2016

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	160,748	160,748
Other	-	7,461	7,461
State sources	233,491	2,625	236,116
Total revenues	<u>233,491</u>	<u>170,834</u>	<u>404,325</u>
Expenditures:			
Current:			
Instruction:			
Regular	49,665	-	49,665
Support services:			
Student Support	1,000	-	1,000
Administration	8,698	-	8,698
Operation and maintenance of plant	30,626	-	30,626
Transportation	94,720	38,914	133,634
Other expenditures:			
Debt Service	1,000	-	1,000
Facilities acquisition	142,356	19,140	161,496
Total expenditures	<u>328,065</u>	<u>58,054</u>	<u>386,119</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(94,574)</u>	<u>112,780</u>	<u>18,206</u>
Other financing sources (uses):			
Transfers out	<u>(157,664)</u>	<u>-</u>	<u>(157,664)</u>
Total other financing sources (uses)	<u>(157,664)</u>	<u>-</u>	<u>(157,664)</u>
Change in fund balances	(252,238)	112,780	(139,458)
Fund balances beginning of year	<u>538,219</u>	<u>432,763</u>	<u>970,982</u>
Fund balances end of year	<u>\$ 285,981</u>	<u>545,543</u>	<u>831,524</u>

See accompanying independent auditor's report.

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund

Year ended June 30, 2016

	Balance Beginning of Year	<u>Additions</u>	<u>Deductions</u>	Balance End of Year
Assets				
Cash	\$ 120	150	77	193
Total assets	<u>\$ 120</u>	<u>150</u>	<u>77</u>	<u>193</u>
Liabilities				
Other payables	\$ 120	150	77	193
Total liabilities	<u>\$ 120</u>	<u>150</u>	<u>77</u>	<u>193</u>

See accompanying independent auditor's report.

Aurelia Community School District
Aurelia, Iowa

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

For the Last Ten Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenues:				
Local sources:				
Local tax	\$ 1,661,903	1,661,237	1,601,523	1,911,763
Tuition	531,340	534,493	585,051	472,703
Other	154,548	113,710	171,244	155,277
State sources	1,353,187	1,315,158	1,358,569	1,097,670
Federal sources	83,002	77,839	67,668	69,618
Total	<u>\$ 3,783,980</u>	<u>3,702,437</u>	<u>3,784,055</u>	<u>3,707,031</u>
Expenditures:				
Instruction:				
Regular	\$ 1,643,390	1,663,289	1,515,563	1,491,527
Special	426,888	440,198	485,590	389,038
Other	318,411	254,733	269,435	301,735
Support services:				
Student	105,962	103,150	98,924	89,388
Instructional staff	55,708	51,281	25,318	21,939
Administration	361,125	359,831	445,774	445,207
Operation and maintenance of plant	243,730	369,356	350,814	249,512
Transportation	269,338	147,772	267,693	146,085
Non-instructional programs	-	9,989	2,950	2,660
Other expenditures:				
Facilities acquisition	161,496	1,610	18,234	1,001,185
Long-term debt:				
Principal	140,000	135,000	125,000	-
Interest and other charges	19,375	19,500	21,800	34,385
AEA flowthrough	104,778	104,342	104,933	101,082
Total	<u>\$ 3,850,201</u>	<u>3,660,051</u>	<u>3,732,028</u>	<u>4,273,743</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
1,920,132	1,856,829	1,744,474	1,662,738	1,485,638	1,519,959
443,181	123,890	138,997	117,683	121,938	140,465
207,566	87,571	104,558	170,139	160,240	140,157
1,022,279	1,158,911	997,561	1,201,951	1,193,409	1,101,790
89,537	190,806	251,846	112,588	88,934	91,816
<u>3,682,695</u>	<u>3,418,007</u>	<u>3,237,436</u>	<u>3,265,099</u>	<u>3,050,159</u>	<u>2,994,187</u>
1,600,932	1,201,610	1,211,335	1,288,564	1,363,919	1,313,458
378,042	307,678	341,726	266,311	296,427	246,757
235,517	366,576	365,905	354,944	381,131	383,248
85,884	68,509	64,369	59,732	81,898	78,963
14,963	7,492	6,896	5,281	8,079	5,728
433,162	301,674	282,011	296,444	346,494	343,778
268,274	274,408	345,646	327,351	317,755	291,822
221,038	110,233	123,414	77,373	169,415	144,668
2,658	2,142	2,930	1,518	12,825	12,519
313,003	7,541	-	92,880	232,035	208,728
-	-	-	-	-	-
-	-	-	-	-	-
101,252	116,550	115,289	106,450	103,923	101,666
<u>3,654,725</u>	<u>2,764,413</u>	<u>2,859,521</u>	<u>2,876,848</u>	<u>3,313,901</u>	<u>3,131,335</u>

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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
Aurelia Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Aurelia 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 March 31, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Aurelia 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 Aurelia Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Aurelia 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 material weaknesses.

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 deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-16 and I-B-16 to be material weaknesses.

Compliance and Other Matters

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

Aurelia Community School District's Responses to the Findings

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

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

March 31, 2017

Aurelia Community School District
Aurelia, Iowa

Schedule of Findings

Year ended June 30, 2016

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-16 Segregation of Duties - The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District has taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

Response - We are continuing to review our procedures and implement additional controls where possible.

Conclusion - Response acknowledged. The District should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-16 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to Aurelia Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Aurelia Community School District
Aurelia, Iowa

Schedule of Findings

Year ended June 30, 2016

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, it is the responsibility of the District’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue to evaluate the risks to be accepted in preparation of the financial statements.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Aurelia Community School District
Aurelia, Iowa

Schedule of Findings
Year ended June 30, 2016

Part II: Other Findings Related to Required Statutory Reporting:

II-A-16 Certified Budget - Expenditures for the year ended June 30, 2016, exceed the certified budget amounts in the other expenditures function.

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

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

II-B-16 Questionable Expenditures - 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 is reviewed annually to ensure the coverage is adequate for current operations.

II-F-16 Board Minutes - Certain minutes were not published timely as required by Chapter 279.35 of the Code of Iowa.

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

Response – Procedures have been revised to ensure the minutes are published within two weeks as required.

Conclusion – Response accepted.

Aurelia Community School District
Aurelia, Iowa

Schedule of Findings

Year ended June 30, 2016

- II-G-16 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-16 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-16 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B of the Code of Iowa and the District's investment policy were noted. However, one instance of non-compliance with Chapter 12C was noted. Although the District approved the depository institutions in its resolution, it did not approve a maximum depository amount.

Recommendation – The District should approve the maximum amount to be deposited at its depositories when approving the depository institutions.

Response – We will include the maximum amount when approving our depository resolution.

Conclusion – Response accepted.

- II-J-16 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-K-16 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- 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:

Aurelia Community School District
Aurelia, Iowa

Schedule of Findings

Year ended June 30, 2016

Beginning balance		\$ 538,219
Revenues/transfer in:		
Sales tax revenues		<u>233,491</u>
		771,710
Expenditures/transfers out:		
School infrastructure	\$ 92,483	
Equipment	226,517	
Other	9,065	
Transfer to other funds:		
Debt service fund	<u>157,664</u>	<u>485,729</u>
Ending balance		\$ <u>285,981</u>

For the year ended June 30, 2016, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-16 Revenue Bonds – No instances of non-compliance with the revenue bond resolution were noted.

II-N-16 Mileage Reimbursement Rate – During the audit it was noted the District was reimbursing mileage at 59 cents per mile which is more than the Federal rate.

Recommendation – The District shouldn't reimburse mileage at more than the approved Federal rate.

Response – We realized the rate was more than the approved Federal rate and have reduced it to 55 cents per mile for fiscal year 2017.

Conclusion – Response accepted.