

Grundy Center Community School District

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

June 30, 2016

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Independent Auditor's Report

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Grundy Center Community School District, Grundy Center, Iowa, as of and for the year ended June 30, 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

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Grundy Center Community School District as of June 30, 2016, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10 and 38 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

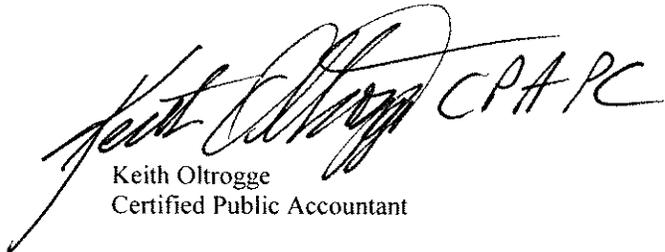
Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grundy Center Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015, (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated December 14, 2016 on my consideration of Grundy Center Community School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Grundy Center Community School District's internal control over financial reporting and compliance.



Keith Oltrogge
Certified Public Accountant

December 14, 2016

Grundy Center Community School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

Grundy Center Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,802,269 in fiscal 2015 to \$6,804,580 in fiscal 2016, and General Fund expenditures decreased from \$6,837,938 in fiscal 2015 to \$6,587,088 in fiscal 2016. The District's General Fund balance increased from \$1,406,751 in fiscal 2015 to \$1,626,158 in fiscal 2016, a 13.5% increase.
- The increase in General Fund revenues was attributable to an increase in other local revenue in fiscal 2016. The decrease in expenditures was due primarily to a decrease in instruction expenditures.
- An increase in the District's General Fund balance resulted in the District's solvency ratio increasing from 19.2% in fiscal 2015 to 22.9% in fiscal 2016. The District's solvency level indicates the District's ability to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Grundy Center Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Grundy Center Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Grundy Center Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

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

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

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 provide more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, 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 as a fiscal agent.

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

	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
Current and other assets	\$6,123,771	\$5,986,527	\$32,055	\$27,819	\$6,155,826	\$6,014,346	2.4%
Capital assets	7,058,424	6,506,923	19,403	22,362	7,077,827	6,529,285	8.4%
Total assets	\$13,182,195	\$12,493,450	\$51,458	\$50,181	\$13,233,653	\$12,543,631	5.5%
Deferred outflows of resources	\$626,118	\$756,553	\$14,242	\$17,090	\$640,360	\$773,643	-17.2%
Long-term liabilities	\$3,796,451	\$3,355,293	\$61,810	\$57,320	\$3,858,261	\$3,412,613	13.1%
Other liabilities	854,500	757,081	5,977	4,343	860,477	761,424	13.0%
Total liabilities	\$4,650,951	\$4,112,374	\$67,787	\$61,663	\$4,718,738	\$4,174,037	13.0%
Deferred inflows of resources	\$3,319,987	\$3,668,247	\$14,392	\$21,860	\$3,334,379	\$3,690,107	-9.7%
Net position:							
Net investment in capital assets	\$7,058,424	\$6,412,993	\$19,403	\$22,362	\$7,077,827	\$6,435,355	10.0%
Restricted	407,059	649,573	-	-	407,059	649,573	-37.3%
Unrestricted	-1,628,108	-1,593,184	-35,882	-38,614	-1,663,990	-1,631,798	-2.0%
Total net position	\$5,837,375	\$5,469,382	-\$16,479	-\$16,252	\$5,820,896	\$5,453,130	6.7%

The District’s total net position increased 6.7%, or \$367,766, from the prior year. The largest portion of the District’s net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net position decreased by approximately 37.3% or \$242,514 from the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$32,192, or 2.0%. This reduction in unrestricted net position was primarily a result of the District’s other postemployment benefits expense recorded 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

	Governmental Activities		Business Type Activities		Total District		Total Change
	2016	2015	2016	2015	2016	2015	2015-2016
Revenues:							
Program revenues:							
Charges for service	\$1,097,488	\$904,506	\$228,885	\$231,080	\$1,326,373	\$1,135,586	16.8%
Operating grants, contributions and restricted interest	947,161	975,700	147,032	145,745	1,094,193	1,121,445	-2.5%
Capital grants, contributions and restricted interest	-	312,311	-	-	-	312,311	-100%
General revenues:							
Property tax	2,697,502	2,631,602	-	-	2,697,502	2,631,602	2.5%
Income surtax	258,948	291,968	-	-	258,948	291,968	-11.4%
Statewide sales, services and use tax	580,458	585,902	-	-	580,458	585,902	-1.0%
Unrestricted state grants	2,850,303	2,870,980	-	-	2,850,303	2,870,980	-0.8%
Unrestricted investment earnings	11,238	11,903	140	157	11,378	12,060	-5.7%
Other	93,734	79,982	-	-	93,734	79,982	17.1%
Total revenues	\$8,536,832	\$8,664,854	\$376,057	\$376,982	\$8,912,889	\$9,041,836	-1.5%
Program expenses:							
Governmental activities:							
Instruction	\$5,558,531	\$5,058,077	\$-	\$-	\$5,558,531	\$5,058,077	9.8%
Support services	2,276,255	2,523,117	1,540	2,290	2,277,795	2,525,407	-9.9%
Non-instructional programs	19,542	3,426	374,744	371,224	394,286	374,650	5.2%
Other expenses	316,426	809,147	-	-	316,426	809,147	-60.6%
Total expenses	\$8,170,754	\$8,393,767	\$376,284	\$373,514	\$8,547,038	\$8,767,281	-2.6%
Change in net position before other financing sources	\$366,078	\$271,087	-\$227	\$3,468	\$365,851	\$274,555	33.2%
Other financing sources	1,915	2,071	-	-	1,915	2,071	-7.6%
Change in net position	\$367,993	\$273,158	-\$227	\$3,468	\$367,766	\$276,626	32.9%
Net position, beginning of year	\$5,469,382	\$5,191,892	-\$16,252	-\$19,720	\$5,453,130	\$5,172,172	5.4%
Prior period adjustment	-	4,332	-	-	-	4,332	-100%
Adjusted net position, beginning of Year	\$5,469,382	\$5,196,224	-\$16,252	-\$19,720	\$5,453,130	\$5,176,504	5.3%
Net position, end of year	\$5,837,375	\$5,469,382	-\$16,479	-\$16,252	\$5,820,896	\$5,453,130	6.7%

In fiscal year 2016, property tax and unrestricted state grants account for 62.2% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.9% of business type activities revenue. The District's total revenues were approximately \$8.9 million, of which approximately \$8.5 million was for governmental activities and less than \$0.4 million was for business type activities.

As shown in Figure A-2, the District as a whole experienced a 1.5% decrease in revenues and a 2.6% decrease in expenses. Property tax increased \$65,900. The decrease in expenses is related to a decrease in support services and other expenses.

Governmental Activities

Revenues for governmental activities were \$8,536,832 and expenses were \$8,170,754 for the year ended June 30, 2016. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

	Total Cost of Services			Net Cost of Services		
	2016	2015	Change 2015-2016	2016	2015	Change 2015-2016
Instruction	\$5,558,531	\$5,058,077	9.8%	\$3,567,558	\$3,246,508	9.8%
Support services	2,276,255	2,523,117	-9.8%	2,222,579	2,454,480	-9.5%
Non-instructional programs	19,542	3,426	570.4%	19,542	3,426	570.4%
Other expenses	316,426	809,147	-60.9%	316,426	496,836	-60.9%
Totals	\$8,170,754	\$8,393,767	-2.7%	\$6,126,105	\$6,201,250	-1.3%

For the year ended June 30, 2016:

- The cost financed by users of the District's programs was \$1,326,373.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,094,193.
- The net cost of governmental activities was financed with \$3,536,908 of property and other taxes and \$2,850,303 of unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2016 were \$376,057, representing a 3.0% decrease over the prior year, while expenses totaled \$376,284, a 0.7% 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, Grundy Center Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$5,820,896 above last year's ending adjusted fund balances of \$5,453,130. However, the primary reason for the increase in combined fund balances in fiscal 2016 is due to revenue exceeding expenditures for the year.

Governmental Fund Highlights

- The General Fund balance increased from \$1,406,751 to \$1,626,158, due primarily to the decrease in expenditures in the instruction function.
- The Capital Projects Fund balance decreased from \$494,176 in fiscal 2015 to \$189,812 in fiscal 2016, due to a decrease in federal and state sources in the Physical Plant and Equipment Levy.

Proprietary Fund Highlights

- School Nutrition Fund net position decreased from -\$16,252 at June 30, 2015 to -\$16,479 at June 30, 2016, representing a decrease of approximately 1.3%.

BUDGETARY HIGHLIGHTS

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

The District’s total revenues were \$206,175 more than total budgeted revenues, a variance of 2.3%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District’s budget for the General Fund. It is the District’s practice to budget expenditures at the actual projected expenditures for the year. The District then manages or controls General Fund spending through its line-item budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had invested approximately \$7.1 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 8.4% from last year. More detailed information about the District’s capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$460,082.

The original cost of the District’s capital assets was approximately \$16.4 million. Governmental funds account for \$16.3 million, with the remainder of \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in process category. The District’s construction in process increased by \$105,502 at June 30, 2016 for the gym addition project.

**Figure A-4
Capital Assets, net of Depreciation**

	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	\$35,252	\$35,252	\$-	\$-	\$35,252	\$35,252	-
Construction in process	105,502	-	-	-	105,502	-	100%
Buildings	5,195,914	4,822,752	-	-	5,195,914	4,822,752	7.7%
Improvements other than buildings	334,369	275,757	-	-	334,369	275,757	21.2%
Furniture and equipment	1,387,387	1,373,162	19,403	22,362	1,406,790	1,395,524	0.8%
Totals	\$7,058,424	\$6,506,923	\$19,403	\$22,362	\$7,077,827	\$6,529,285	8.4%

Long-Term Debt

At June 30, 2016, the District had \$0 of total long-term debt outstanding. This represents a decrease of approximately 100% from last year. (See Figure A-5) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5% of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$19.9 million.

Figure A-5
Outstanding Long-term Obligations

	Total District June 30, 2016	Total Change June 30, 2015	Total Change June 30, 2015-2016
Capital leases	\$-	\$93,930	-100%
Totals	\$-	\$93,930	-100%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District had an enrollment increase for the October 2016 count of 24.01.
- The District applied for and received the Statewide Voluntary Preschool Program for the 2015-16 school year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Grundy Center Community School District

Statement of Net Position

June 30, 2016

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash, Cash Equivalents and Pooled Investments	\$ 2,864,648	\$ 29,142	\$ 2,893,790
Accrued interest	479	-	479
Receivables:			
Property tax:			
Delinquent	26,693	-	26,693
Succeeding year	2,687,246	-	2,687,246
Income surtax	289,863	-	289,863
Accounts	4,020	712	4,732
Due from other governments	250,822	-	250,822
Inventories	-	2,201	2,201
Capital assets, net of accumulated depreciation/amortization	7,058,424	19,403	7,077,827
Total Assets	\$ 13,182,195	\$ 51,458	\$ 13,233,653
Deferred Outflows of Resources			
Pension related deferred outflows	\$ 626,118	\$ 14,242	\$ 640,360
Liabilities			
Accounts payable	\$ 259,133	\$ 239	\$ 259,372
Salaries and benefits payable	579,667	-	579,667
Other liabilities	15,700	-	15,700
Unearned revenue	-	5,738	5,738
Long-term liabilities:			
Portion due within one year:			
Early retirement	188,974	-	188,974
Portion due after one year:			
Early retirement	567,120	-	567,120
Net pension liability	2,717,420	61,810	2,779,230
Net OPEB liability	322,937	-	322,937
Total Liabilities	\$ 4,650,951	\$ 67,787	\$ 4,718,738
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 2,687,246	\$ -	\$ 2,687,246
Pension related deferred inflows	632,741	14,392	647,133
Total Deferred Inflows of Resources	\$ 3,319,987	\$ 14,392	\$ 3,334,379

See notes to financial statements.

Grundy Center Community School District

Statement of Net Position

June 30, 2016

	Govern- mental Activities	Business Type Activities	Total
Net Position			
Net investment in capital assets	\$ 7,058,424	\$ 19,403	\$ 7,077,827
Restricted for:			
Categorical funding	118,926	-	118,926
School infrastructure	104,151	-	104,151
Student activities	98,321	-	98,321
Physical plant and equipment	85,661	-	85,661
Unrestricted	-1,628,108	-35,882	-1,663,990
Total Net Position	\$ 5,837,375	\$ -16,479	\$ 5,820,896

See notes to financial statements.

Grundy Center Community School District

Statement of Activities

Year Ended June 30, 2016

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 3,656,624	\$ 593,402	\$ 752,644	\$ -
Special instruction	1,001,833	64,764	112,968	-
Other instruction	900,074	390,830	76,365	-
	<u>\$ 5,558,531</u>	<u>\$ 1,048,996</u>	<u>\$ 941,977</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 158,655	\$ -	\$ 2,644	\$ -
Instructional staff services	380,199	-	-	-
Administration services	803,891	2,874	-	-
Operation and maintenance of plant services	646,549	5,612	-	-
Transportation services	286,961	40,006	2,540	-
	<u>\$ 2,276,255</u>	<u>\$ 48,492</u>	<u>\$ 5,184</u>	<u>\$ -</u>
Non-instructional programs	\$ 19,542	\$ -	\$ -	\$ -
Other Expenditures:				
Facilities acquisition	\$ 51,323	\$ -	\$ -	\$ -
Long-term debt interest	114	-	-	-
AEA flow-through	264,989	-	-	-
	<u>\$ 316,426</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 8,170,754</u>	<u>\$ 1,097,488</u>	<u>\$ 947,161</u>	<u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 374,744	\$ 228,885	\$ 147,032	\$ -
Support Services:				
Operation and maintenance of plant services	1,540	-	-	-
Total Business Type Activities	<u>\$ 376,284</u>	<u>\$ 228,885</u>	<u>\$ 147,032</u>	<u>\$ -</u>
Total	<u>\$ 8,547,038</u>	<u>\$ 1,326,373</u>	<u>\$ 1,094,193</u>	<u>\$ -</u>

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ -2,310,578	\$ -	\$ -2,310,578
-824,101	-	-824,101
-432,879	-	-432,879
<u>\$ -3,567,558</u>	<u>\$ -</u>	<u>\$ -3,567,558</u>
\$ -156,011	\$ -	\$ -156,011
-380,199	-	-380,199
-801,017	-	-801,017
-640,937	-	-640,937
-244,415	-	-244,415
<u>\$ -2,222,579</u>	<u>\$ -</u>	<u>\$ -2,222,579</u>
\$ -19,542	\$ -	\$ -19,542
\$ -51,323	\$ -	\$ -51,323
-114	-	-114
-264,989	-	-264,989
<u>\$ -316,426</u>	<u>\$ -</u>	<u>\$ -316,426</u>
\$ -6,126,105	\$ -	\$ -6,126,105
\$ -	\$ 1,173	\$ 1,173
-	-1,540	-1,540
<u>\$ -</u>	<u>\$ -367</u>	<u>\$ -367</u>
<u>\$ -6,126,105</u>	<u>\$ -367</u>	<u>\$ -6,126,472</u>

Grundy Center Community School District

Statement of Activities

Year Ended June 30, 2016

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

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ 2,347,697	\$ -	\$ 2,347,697
349,805	-	349,805
258,948	-	258,948
580,458	-	580,458
2,850,303	-	2,850,303
11,238	140	11,378
93,734	-	93,734
<hr/>		
\$ 6,492,183	\$ 140	\$ 6,492,323
<hr/>		
\$ 366,078	\$ -227	\$ 365,851
1,915	-	1,915
\$ 367,993	\$ -227	\$ 367,766
<hr/>		
\$ 5,469,382	\$ -16,252	\$ 5,453,130
<hr/>		
\$ 5,837,375	\$ -16,479	\$ 5,820,896

Grundy Center Community School District

Balance Sheet
Governmental Funds

June 30, 2016

Assets	General	Management	Capital Projects	Non-Major Funds	Total
Cash, cash equivalents and pooled investments	\$ 2,191,063	\$ 374,136	\$ 195,814	\$ 103,635	\$ 2,864,648
Receivables:					
Interest	356	-	-	123	479
Property Tax:					
Delinquent	19,591	3,735	3,367	-	26,693
Succeeding year	2,028,524	300,001	358,721	-	2,687,246
Income surtax	289,863	-	-	-	289,863
Accounts	2,600	-	-	1,420	4,020
Due from other governments	155,646	-	95,146	30	250,822
Total assets	\$ 4,687,643	\$ 677,872	\$ 653,048	\$ 105,208	\$ 6,123,771
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 147,731	\$ -	\$ 104,515	\$ 6,887	\$ 259,133
Salaries and benefits payable	579,667	-	-	-	579,667
Other liabilities	15,700	-	-	-	15,700
Total liabilities	\$ 743,098	\$ -	\$ 104,515	\$ 6,887	\$ 854,500
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	\$ 2,028,524	\$ 300,001	\$ 358,721	\$ -	\$ 2,687,246
Other	289,863	-	-	-	289,863
Total deferred inflows of resources	\$ 2,318,387	\$ 300,001	\$ 358,721	\$ -	\$ 2,977,109
Fund Balances:					
Restricted for:					
Categorical funding	\$ 118,926	\$ -	\$ -	\$ -	\$ 118,926
Management levy purposes	-	377,871	-	-	377,871
Student activities	-	-	-	98,321	98,321
School infrastructure	-	-	104,151	-	104,151
Physical plant and equipment	-	-	85,661	-	85,661
Unrestricted	1,507,232	-	-	-	1,507,232
Total fund balances	\$ 1,626,158	\$ 377,871	\$ 189,812	\$ 98,321	\$ 2,292,162
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,687,643	\$ 677,872	\$ 653,048	\$ 105,208	\$ 6,123,771

See notes to financial statements.

Grundy Center Community School District

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

June 30, 2016

Total fund balances of governmental funds (page 15)	\$	2,292,162
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds		7,058,424
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		289,863
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	\$	626,118
Deferred inflows of resources		-632,741
		-6,623
Long-term liabilities, including bonds and notes payable, early retirement, other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds		-3,796,451
Net position of governmental activities (page 12)	\$	5,837,375

Grundy Center Community School District

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

Year Ended June 30, 2016

	General	Management	Capital Projects	Non-Major Funds	Total
Revenues:					
Local Sources:					
Local tax	\$ 2,199,895	\$ 374,580	\$ 349,805	\$ -	\$ 2,924,280
Tuition	504,307	-	-	-	504,307
Other	314,726	10,282	48,853	324,292	698,153
Intermediate sources	-	-	-	-	-
State sources	3,588,637	6,238	586,032	-	4,180,907
Federal sources	197,015	-	-	-	197,015
Total Revenues	\$ 6,804,580	\$ 391,100	\$ 984,690	\$ 324,292	\$ 8,504,662
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 2,768,020	\$ 177,826	\$ -	\$ -	\$ 2,945,846
Special instruction	892,494	-	-	-	892,494
Other instruction	635,665	-	-	287,693	923,358
	\$ 4,296,179	\$ 177,826	\$ -	\$ 287,693	\$ 4,761,698
Support Services:					
Student services	\$ 134,770	\$ -	\$ -	\$ -	\$ 134,770
Instructional staff services	313,717	-	118,782	-	432,499
Administration services	813,745	48,848	46,594	-	909,187
Operation and maintenance of plant services	514,749	41,977	80,479	-	637,205
Transportation services	248,939	11,948	84,303	-	345,190
	\$ 2,025,920	\$ 102,773	\$ 330,158	\$ -	\$ 2,458,851
Non-instructional programs	\$ -	\$ 5,315	\$ -	\$ -	\$ 5,315
Other Expenditures:					
Facilities acquisition	\$ -	\$ -	\$ 862,373	\$ -	\$ 862,373
Long-Term Debt:					
Principal	-	-	-	93,930	93,930
Interest and fiscal charges	-	-	-	2,593	2,593
AEA flow-through	264,989	-	-	-	264,989
	\$ 264,989	\$ -	\$ 862,373	\$ 96,523	\$ 1,223,885
Total Expenditures	\$ 6,587,088	\$ 285,914	\$ 1,192,531	\$ 384,216	\$ 8,449,749
Excess (deficiency) of revenues over (under) expenditures	\$ 217,492	\$ 105,186	\$ -207,841	\$ -59,924	\$ 54,913

Grundy Center Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2016

	General	Management	Capital Projects	Non-Major Funds	Total
Other Financing Sources (Uses):					
Sale of assets	\$ 1,915	\$ -	\$ -	\$ -	\$ 1,915
Transfers in	-	-	-	96,523	96,523
Transfers out	-	-	-96,523	-	-96,523
Total other financing sources (uses)	<u>\$ 1,915</u>	<u>\$ -</u>	<u>\$ -96,523</u>	<u>\$ 96,523</u>	<u>\$ 1,915</u>
Change in fund balances	\$ 219,407	\$ 105,186	\$ -304,364	\$ 36,599	\$ 56,828
Fund balances beginning of year	1,406,751	272,685	494,176	61,722	2,235,334
Fund balances end of year	<u>\$ 1,626,158</u>	<u>\$ 377,871</u>	<u>\$ 189,812</u>	<u>\$ 98,321</u>	<u>\$ 2,292,162</u>

See notes to financial statements.

Grundy Center Community School District

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

Year Ended June 30, 2016

Change in fund balances – total governmental funds (page 18) \$ 56,828

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

Expenditures for capital assets	\$ 1,011,583	
Depreciation/amortization expense	<u>-460,082</u>	551,501

Income surtax revenue not received until several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 32,170

Proceeds from the 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:

Repaid	93,930
--------	--------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 2,479

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

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: 362,255

Early retirement	\$ -32,239	
Pension expense	-337,610	
Other postemployment benefits	<u>-361,321</u>	-731,170

Change in Net Position of Governmental Activities (page 14) \$ 367,993

Grundy Center Community School District

Statement of Net Position
Proprietary Funds

June 30, 2016

	Business Type Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	Self-Insurance
Assets		
Current Assets:		
Cash and cash equivalents	\$ 29,142	\$ 74,388
Accounts receivable	712	53,624
Inventories	2,201	-
Total current assets	\$ 32,055	\$ 128,012
Non-current assets:		
Capital assets, net of accumulated depreciation	\$ 19,403	\$ -
Total Assets	\$ 51,458	\$ 128,012
Deferred Outflows of Resources		
Pension related deferred outflows	\$ 14,242	\$ -
Liabilities		
Current liabilities:		
Accounts payable	\$ 239	\$ -
Unearned revenue	5,738	-
Total current liabilities	\$ 5,977	\$ -
Non-current liabilities:		
Net pension liability	\$ 61,810	\$ -
Total non-current liabilities	\$ 61,810	\$ -
Total Liabilities	\$ 67,787	\$ -
Deferred Inflows of Resources		
Pension related deferred inflows	\$ 14,392	\$ -
Net Position		
Net investment in capital assets	\$ 19,403	\$ -
Unrestricted	-35,882	128,012
Total Net Position	\$ -16,479	\$ 128,012

See notes to financial statements.

Grundy Center Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2016

	Business Type Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	Self-Insurance
Operating revenues:		
Local sources:		
Charges for service	\$ 228,885	\$ 815,295
Operating expenses:		
Support services:		
Operation and maintenance of plant	\$ 1,540	\$ -
	\$ 1,540	\$ -
Non-instructional programs:		
Food service and other operations:		
Salaries	\$ 92,515	\$ -
Benefits	48,756	686,404
Purchased services	1,061	-
Supplies	222,028	-
Depreciation	7,039	-
Other	3,345	1,382
	\$ 374,744	\$ 687,786
Total operating expenses	\$ 376,284	\$ 687,786
Operating income (loss)	\$ -147,399	\$ 127,509
Non-operating revenues:		
State sources	\$ 2,812	\$ -
Federal sources	144,220	-
Interest income	140	503
Total non-operating revenues	\$ 147,172	\$ 503
Increase (Decrease) in net position	\$ -227	\$ 128,012
Net position beginning of year	-16,252	-
Net Position End of Year	\$ -16,479	\$ 128,012

See notes to financial statements.

Grundy Center Community School District

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2016

	Business Type Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	Self-Insurance
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 230,284	\$ -
Cash received from miscellaneous operating activities	-	761,671
Cash paid to employees for services	-137,321	-686,404
Cash paid to suppliers for goods or services	-207,533	-1,382
Net cash provided (used) by operating activities	<u>\$ -114,570</u>	<u>\$ 73,885</u>
Cash flows from non-capital financing activities:		
State grants received	\$ 2,812	\$ -
Federal grants received	122,134	-
Net cash provided by non-capital financing activities	<u>\$ 124,946</u>	<u>\$ -</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	\$ -4,080	\$ -
Cash flows from investing activities:		
Interest on investments	\$ 140	\$ 503
Net increase (decrease) in cash and cash equivalents	\$ 6,436	\$ 74,388
Cash and cash equivalents beginning of year	22,706	-
Cash and Cash Equivalents End of Year	<u>\$ 29,142</u>	<u>\$ 74,388</u>
Reconciliation of operating increase (loss) to net cash used by operating activities:		
Operating income (loss)	\$ -147,399	\$ 127,509
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Commodities used	22,086	-
Depreciation	7,039	-
Decrease in inventories	2,196	-
(Increase) Decrease in accounts receivable	4	-53,624
Increase in accounts payable	239	-
Increase in unearned revenue	1,395	-
Increase in net pension liability	4,490	-
Decrease in deferred outflows of resources	2,848	-
(Decrease) in deferred inflows of resources	-7,468	-
Net Cash Provided (Used) by Operating Activities	<u>\$ -114,570</u>	<u>\$ 73,885</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2016, the District received \$22,086 of federal commodities.

See notes to financial statements.

Grundy Center Community School District

Statement of Fiduciary Net Position
Fiduciary Funds

Year Ended June 30, 2016

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash, cash equivalents and pooled investments	\$ 499	\$ 39
Liabilities		
Accounts payable	\$ -	\$ 39
Net position		
Restricted for scholarships	\$ 499	\$ -

See notes to financial statements.

Grundy Center Community School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2016

	Private Purpose Trust Scholarship
Additions: Local sources: Gifts and contributions	\$ -
Deductions: Support services: Services	\$ 1,000
Change in net position	\$ -1,000
Net position beginning of year	\$ 1,538
Prior period adjustment	-39
Adjusted net position beginning of year	\$ 1,499
Net Position, End of Year	\$ 499

See notes to financial statements.

Grundy Center Community School District

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

Unrestricted net position consists of net position not meeting the 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 non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

The Management Fund is used to account for all resources used in unemployment, early retirement and insurance.

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.

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2015.

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

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

Capital Assets – Capital assets, which include property and furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at 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.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Intangibles	50,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

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

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

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

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

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

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

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

At June 30, 2016, the District had investments in the Iowa Schools Joint Investment Trust Direct (ISJIT) Government Obligations Portfolio which are valued at an amortized cost of \$18,914 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investments in ISJIT were rated AAAM by Standard & Poor's Financial Services.

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

(3) **Inter-fund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects – Statewide Sales, Services and Use Tax	\$ 96,523
		<u>\$ 96,523</u>

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

(4) **Capital Assets**

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

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 35,252	\$ -	\$ -	\$ 35,252
Construction in process	-	105,502	-	105,502
Total capital assets not being depreciated	<u>\$ 35,252</u>	<u>\$ 105,502</u>	<u>\$ -</u>	<u>\$ 140,754</u>
Capital assets being depreciated:				
Buildings	\$ 8,983,851	\$ 576,406	\$ -	\$ 9,560,257
Improvements other than buildings	635,704	85,279	-	720,983
Furniture and equipment	5,672,569	244,396	-	5,916,965
Total capital assets being depreciated	<u>\$ 15,292,124</u>	<u>\$ 906,081</u>	<u>\$ -</u>	<u>\$ 16,198,205</u>
Less accumulated depreciation for:				
Buildings	\$ 4,161,099	\$ 203,244	\$ -	\$ 4,364,343
Improvements other than buildings	359,947	26,667	-	386,614
Furniture and equipment	4,299,407	230,171	-	4,529,578
Total accumulated depreciation/amortization	<u>\$ 8,820,453</u>	<u>\$ 460,082</u>	<u>\$ -</u>	<u>\$ 9,280,535</u>
Total capital assets being depreciated/amortized, net	<u>\$ 6,471,671</u>	<u>\$ 445,999</u>	<u>\$ -</u>	<u>\$ 6,917,670</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,506,923</u>	<u>\$ 551,501</u>	<u>\$ -</u>	<u>\$ 7,058,424</u>
	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 72,138	\$ 4,080	\$ 834	\$ 75,384
Less accumulated depreciation	49,776	7,039	834	55,981
Business Type Activities Capital Assets, Net	<u>\$ 22,362</u>	<u>\$ -2,959</u>	<u>\$ -</u>	<u>\$ 19,403</u>

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 323,452
Special	2,497
Other	23,442

Support services:

Instructional support	30,391
Administration	159
Operation and maintenance of plant	28,228
Transportation	51,913

Total Depreciation Expense – Governmental Activities	<u>\$ 460,082</u>
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Business Type Activities:

Food service operations	<u>\$ 7,039</u>
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(5) Long-term Liabilities

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

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Governmental activities:					
Capital leases	\$ 93,930	\$ -	\$ 93,930	\$ -	\$ -
Early retirement	723,855	227,151	194,912	756,094	188,974
Net OPEB liability	-38,384	361,321	-	322,937	-
Net pension liability	2,537,508	179,912	-	2,717,420	-
Total	<u>\$ 3,316,909</u>	<u>\$ 768,384</u>	<u>\$ 288,842</u>	<u>\$ 3,796,451</u>	<u>\$ 188,974</u>
Business type activities:					
Net pension liability	<u>\$ 57,320</u>	<u>\$ 4,490</u>	<u>\$ -</u>	<u>\$ 61,810</u>	<u>\$ -</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five. Employees must complete an application, which is subject to approval by the Board of Education. Early retirement incentives are a cash payment equal to the employee's current salary minus the current base. Early retirement expenditures for the year ended June 30, 2016 totaled \$194,912.

Prior Year Debt Defeasance

In prior years, the District has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investment and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes the debt has been considered defeased and therefore removed as a liability from the District's Long-Term Debt. As of June 30, 2016, the amount of defeased debt outstanding but removed from the Long-Term Debt amounted to \$1,875,000.

During the year ended June 30, 2016 the District made principal and interest payments totaling \$96,523 under the agreements.

(6) Pension Plan

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

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

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

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

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

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

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

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS’ Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires 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 pay and the District contributed 8.93% for a total rate of 14.88%.

The District’s contributions to IPERS for the year ended June 30, 2016 were \$362,255.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the District reported a liability of \$2,779,230 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the District’s proportion was 0.056254%, which was a decrease of 0.007862% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016 the District recognized pension expense of \$155,382. 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	\$ -100,726	\$ -
Changes of assumptions	-37,997	-
Net difference between projected and actual earnings on IPERS investments	415,828	-
Changes in proportion and differences between District contributions and the District’s proportionate share of contributions	-	342,785
District contributions subsequent to the measurement date	363,255	-
Total	\$ 640,360	\$ 342,785

\$362,255 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2017	\$ -158,196
2018	-158,196
2019	-158,196
2020	37,802
2021	-19,498
Total	<u>\$ -456,284</u>

There were no non-employer contributing entities to 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:

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

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments 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 7.5%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.5%) or 1% higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$4,865,931	\$2,779,230	\$1,017,904

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

Payables to IPERS – At June 30, 2016, the District reported no payables to the defined benefit pension plan for legally required employer contributions and for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

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

Plan description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 62 active and 0 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 464,334
Interest on net OPEB obligation	-960
Adjustment to annual required contribution	2,901
Annual OPEB cost	<u>\$ 466,275</u>
Contributions made	<u>104,954</u>
Increase in net OPEB obligation	\$ 361,321
Net OPEB obligation beginning of year	<u>-38,384 *</u>
Net OPEB obligation end of year	<u>\$ 322,937</u>

*Prepaid

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2015. 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.

For the year ended June 30, 2016, the District contributed \$573,242 to the medical plan. Plan members eligible for benefits contributed \$73,641, or 12.8% of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$160,000	83.13%	\$27,000
June 30, 2011	\$160,000	75.00%	\$66,987
June 30, 2012	\$160,000	80.63%	\$97,953
June 30, 2013	\$50,113	300.00%	-\$2,042
June 30, 2014	\$50,113	135.28%	-\$19,813
June 30, 2015	\$50,113	135.20%	-\$38,384
June 30, 2016	\$464,334	22.60%	\$322,937

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 \$3,075,463, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,075,463. The covered payroll (annual payroll of active employees covered by the plan) was \$2,988,750 and the ratio of the UAAL to covered payroll was 102.9%. As of June 30, 2016, there were no trust fund assets.

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

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

As of the July 1, 2015 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District’s funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2014 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2014.

Projected claim costs of the medical plan are \$657.42 per month for retirees less than age 65 and \$657.42 per month for retirees who have attained age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

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.

During the year ended June 30, 2016, employees of the District were covered by the District’s health and prescription drug self-insurance plan. The contributions made by the District are part of the negotiated agreements with specific employee groups. Employees authorize payroll withholdings to pay contributions for dependents or increased coverage. Claims were paid by a third-party administrator acting on behalf of the District. The plans are authorized by Chapter 509A of the Code of Iowa.

The administrative contract between the District and the third-party administrator is renewable annually and administrative fees and stop loss premiums are included in the contractual provisions. In accordance with state statute, the District was protected against unanticipated catastrophic individual or aggregate loss by stop loss coverage from a private insurance company. Stop loss coverage was in effect for individual’s claims that exceeded \$35,000 and for the aggregate amount of \$690,342.

All claim handling procedures are performed by an independent claims administrator. Liabilities are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Recognized liabilities include a provision for all estimated claims incurred but not reported. Changes in the medical claims liability amounts for the year ended June 30, 2016 were as follows:

Self-Insurance Liability (Prepaid)	Beginning	Claims and Changes in Estimates	Claims Payments	Ending
Health: 2016	\$-	\$815,798	\$687,786	\$128,012

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$264,989 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.

(10) Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Home School Assistance	\$ 3,707
Dropout Prevention	65,851
Gifted and Talented	2,830
Early Literacy	10,606
Core	11,504
Professional Development	24,428
Total	<u>\$ 118,926</u>

(11) Subsequent Events

The District has evaluated subsequent events through December 14, 2016 which is the date that the financial statement were available to be issued.

(12) Deficit Balances

Eighteen student activity accounts had deficit balances at June 30, 2016. The Proprietary Fund – School Nutrition Fund had a \$16,479 deficit balance at June 30, 2016.

Required Supplementary Information

Grundy Center Community School District

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

Required Supplementary Information

Year Ended June 30, 2016

	Governmental Funds Actual	Proprietary Funds Actual
Revenues:		
Local sources	\$ 4,126,740	\$ 229,025
Intermediate sources	-	-
State sources	4,180,907	2,812
Federal sources	197,015	144,220
Total Revenues	\$ 8,504,662	\$ 376,057
Expenditures/Expenses:		
Instruction	\$ 4,761,698	\$ -
Support services	2,458,851	1,540
Non-instructional programs	5,315	374,744
Other expenditures	1,223,885	-
Total Expenditures/Expenses	\$ 8,449,749	\$ 376,284
Excess (deficiency) of revenues over (under) expenditures/expenses	\$ 54,913	\$ -227
Other financing sources, net	1,915	-
Excess (deficiency) of revenue and other financing sources over (under) expenditures/expenses and other financing sources	\$ 56,828	\$ -227
Balances beginning of year	2,235,334	-16,252
Balances End of Year	\$ 2,292,162	\$ -16,479

See accompanying independent auditor's report.

	Total Actual	Budgeted Amount		Final to Actual Variance
		Original	Final	
\$	4,355,765	\$ 4,798,685	\$ 4,798,685	\$ -442,920
	-	-	-	-
	4,183,719	3,584,739	3,584,739	598,980
	341,235	291,120	291,120	50,115
\$	8,880,719	\$ 8,674,544	\$ 8,674,544	\$ 206,175
<hr/>				
\$	4,761,698	\$ 4,720,000	\$ 4,900,000	\$ 138,302
	2,460,391	2,667,800	2,667,800	207,409
	380,059	350,000	500,000	119,941
	1,223,885	283,696	1,300,000	76,115
\$	8,826,033	\$ 8,021,496	\$ 9,367,800	\$ 541,767
<hr/>				
\$	54,686	\$ 653,048	\$ -693,256	\$ 747,942
	1,915	-	-	1,915
<hr/>				
\$	56,601	\$ 653,048	\$ -693,256	\$ 749,857
	2,219,082	1,704,342	1,704,342	514,740
\$	2,275,683	\$ 2,357,390	\$ 1,011,086	\$ 1,264,597

Grundy Center Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2016

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$1,346,304.

Grundy Center Community School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
For the Last Two Years*
Required Supplementary Information

	2016	2015
District's proportion of the net pension liability	0.056254	0.064116
District's proportionate share of the net pension liability	\$ 2,779,230	\$ 2,594,828
District's covered-employee payroll	\$ 4,067,802	\$ 3,853,868
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	68.32%	67.33%
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.

Grundy Center Community School District

Schedule of District Contributions

**Iowa Public Employees' Retirement System
For the Last Ten Fiscal Years**

Required Supplementary Information

	2016	2015	2014	2013	2012
Statutorily required contribution	\$ 1,363,255	\$ 344,150	\$ 382,548	\$ 333,261	\$ 311,139
Contributions in relation to the statutorily required contribution	-1,363,255	-344,150	-382,548	-333,261	-311,139
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 4,067,802	\$ 3,853,868	\$ 4,283,852	\$ 3,843,841	\$ 3,855,502
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%	8.07%

See accompanying independent auditor's report.

	2011	2010	2009	2008	2007
\$	261,941	\$ 228,964	\$ 217,318	\$ 199,191	\$ 177,311
	-261,914	-228,964	-217,318	-199,191	-177,311
\$	-	\$ -	\$ -	\$ -	\$ -
\$	3,768,935	\$ 3,443,068	\$ 3,422,331	\$ 3,292,413	\$ 3,083,670
	6.95%	6.65%	6.35%	6.05%	5.75%

Grundy Center Community School District

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.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included 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.

Grundy Center Community School District

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$-	\$1,457	\$1,457	-	\$3,153	46.2%
2011	July 1, 2009	\$-	\$1,457	\$1,457	-	\$3,425	42.5%
2012	July 1, 2009	\$-	\$1,457	\$1,457	-	\$3,528	41.3%
2013	July 1, 2012	\$-	\$370	\$370	-	\$3,388	10.9%
2014	July 1, 2012	\$-	\$370	\$370	-	\$3,879	9.5%
2015	July 1, 2012	\$-	\$370	\$370	-	\$3,420	9.25%
2016	July 1, 2015	\$-	\$3,075	\$3,075	-	\$2,989	102.9%

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

Supplementary Information

Grundy Center Community School District

Combining Balance Sheet
Non-Major Governmental Funds

June 30, 2016

	Special Revenue
	Student Activity
Assets	
Cash, cash equivalents and pooled investments	\$ 103,635
Accrued interest	123
Receivables:	
Accounts	1,420
Due from other governments	30
Total Assets	<u>\$ 105,208</u>
Liabilities, Deferred Inflows of Resources and Fund Balances	
Liabilities:	
Accounts payable	\$ 6,887
Total liabilities	<u>\$ 6,887</u>
Fund Balances:	
Restricted for:	
Student activities	\$ 98,321
Total fund balances	<u>\$ 98,321</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 105,208</u>

See accompanying independent auditor's report.

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

Year Ended June 30, 2016

	Special Revenue		
	Debt Service	Student Activity	Total
Revenues:			
Local Sources:			
Local tax	\$ -	\$ -	\$ -
Other	-	324,292	324,292
State sources	-	-	-
Total Revenues	<u>\$ -</u>	<u>\$ 324,292</u>	<u>\$ 324,292</u>
Expenditures:			
Current:			
Instruction:			
Other instruction	\$ -	\$ 287,693	\$ 287,693
Other Expenditures:			
Long-term debt:			
Principal	93,930	-	93,930
Interest and fiscal charges	2,593	-	2,593
Total Expenditures	<u>\$ 96,523</u>	<u>\$ 287,693</u>	<u>\$ 384,216</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -96,523	\$ 36,599	\$ -59,924
Other financing sources (uses):			
Transfers in	96,523	-	96,523
Change in fund balances	\$ -	\$ 36,599	\$ 36,599
Fund balances beginning of year	-	61,722	61,722
Fund Balances End of Year	<u>\$ -</u>	<u>\$ 98,321</u>	<u>\$ 98,321</u>

See accompanying independent auditor's report.

Grundy Center Community School District

Combining Balance Sheet
Capital Project Accounts

June 30, 2016

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 106,626	\$ 89,188	\$ 195,814
Receivables:			
Property Tax:			
Delinquent	-	3,367	3,367
Succeeding year	-	358,721	358,721
Due from other governments	95,146	-	95,146
Total assets	\$ 201,772	\$ 451,276	\$ 653,048
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 97,621	\$ 6,894	\$ 104,515
Total liabilities	\$ 97,621	\$ 6,894	\$ 104,515
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	\$ -	\$ 358,721	\$ 358,721
Total deferred inflows of resources	\$ -	\$ 358,721	\$ 358,721
Fund Balances:			
Restricted for:			
School infrastructure	\$ 104,151	\$ -	\$ 104,151
Physical plant and equipment	-	85,661	85,661
Total fund balances	\$ 104,151	\$ 85,661	\$ 189,812
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 201,772	\$ 451,276	\$ 653,048

See accompanying independent auditor's report.

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

Year Ended June 30, 2016

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local Sources:			
Local tax	\$ -	\$ 349,805	\$ 349,805
Other	42,761	6,092	48,853
State sources	580,458	5,574	586,032
Total Revenues	<u>\$ 623,219</u>	<u>\$ 361,471</u>	<u>\$ 984,690</u>
Expenditures:			
Current:			
Support services:			
Instructional staff services	\$ 19,600	\$ 99,182	\$ 118,782
Administration services	9,750	36,844	46,594
Operation and maintenance of plant services	17,373	63,106	80,479
Transportation services	77,439	6,864	84,303
Other Expenditures:			
Facilities acquisition	720,090	142,283	862,373
Total Expenditures	<u>\$ 844,252</u>	<u>\$ 348,279</u>	<u>\$ 1,192,531</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -221,033	\$ 13,192	\$ -207,841
Other Financing Sources (Uses):			
Operating transfers out	-96,523	-	-96,523
Change in fund balances	\$ -317,556	\$ 13,192	\$ -304,364
Fund balances beginning of year	421,707	72,469	494,176
Fund Balances End of Year	<u>\$ 104,151</u>	<u>\$ 85,661</u>	<u>\$ 189,812</u>

See accompanying independent auditor's report.

Grundy Center Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2016

Account	Balance Beginning Of Year	Revenues	Expenditures	Intra-fund Transfers	Balance End of Year
Student activity ticket sales	\$ 1,858	\$ -	\$ -	\$ -	\$ 1,858
Class of 2014	585	-	-	-	585
Class of 2015	247	-	-	-	247
Class of 2016	3,162	896	2,964	-	1,094
Class of 2017	1,004	6,407	5,785	-	1,626
Class of 2018	867	219	99	-	987
Class of 2019	650	402	-	-	1,052
Class of 2020	-	241	-	-	241
Dance team	-5,012	9,888	10,260	-	-5,384
Vocal music/GC Jazz	873	4,230	1,994	-	3,109
Drama	2,685	1,690	3,913	-	462
Elementary vocal music	1,963	116	-	-	2,079
Annual	-7,729	7,119	2,689	-	-3,299
Band	10,178	1,854	1,303	-	10,729
Middle School student senate	2,023	-	-	-	2,023
National Honor Society	-321	-	445	-	-766
High School student senate	3,751	2,565	2,682	-	3,634
Art club	2,056	250	-	-	2,306
TAG club	8,482	1,609	3,737	-	6,354
Middle School fund	13,522	12,521	15,964	-	10,079
Elementary student senate	25,493	49,005	45,354	-	29,144
FFA	2,515	18,511	17,855	-	3,171
Girls softball	97	2,894	3,289	-	-298
Boys basketball	3,898	8,938	11,501	-	1,335
Football	-7,909	26,555	36,890	-	-18,244
Boys baseball	-1,888	11,735	12,613	-	-2,766
Boys track	-1,746	5,137	6,078	-	-2,687
Boys tennis	198	129	364	-	-37
Boys golf	-437	691	1,116	-	-862
Athletics-general	-2,736	16,488	4,439	-	9,313
Music fundraiser	4,359	7,103	5,334	-	6,128
Speech	1,146	957	706	-	1,397
Greenhouse account	266	1,930	1,838	-	358
Germany exchange program	1,286	3,705	1,035	-	3,956
Cross country	907	2,844	4,088	-	-337
Ultimate mileage vehicle club	279	852	726	-	405
Spirit force	1,947	1,697	1,247	-	2,397
Spanish club	10	-	-	-	10
Nurse's fund	1,081	40	151	-	970
Athletic Boosters	-	39,400	16,097	-	23,303
Soccer	-	-	150	-	-150

Grundy Center Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2016

Account	Balance Beginning Of Year	Revenues	Expenditures	Intra-fund Transfers	Balance End of Year
MS Read Across America	\$ 3,854	\$ 102	\$ 261	\$ -	\$ 3,695
Concessions	-1,807	31,224	21,416	-	8,001
Wrestling	-280	-	-	-	-280
Girls basketball	-4,800	11,972	10,291	-	-3,119
Girls volleyball	313	12,438	12,788	-	-37
Girls track	-1,555	11,278	10,282	-	-559
Girls tennis	136	994	1,015	-	115
Girls golf	-1,193	30	1,740	-	-2,903
Cheerleaders	-1,720	5,508	4,252	-	-464
Academic Decathlon	-836	2,128	2,942	-	-1,650
Totals	\$ 61,722	\$ 324,292	\$ 287,693	\$ -	\$ 98,321

See accompanying independent auditor's report.

Grundy Center Community School District

Combining Statement of Net Position
Internal Service Funds

June 30, 2016

	Self Insurance		Total
	Health Insurance	Dental Insurance	
Assets			
Current Assets:			
Cash and cash equivalents	\$ 61,919	\$ 12,469	\$ 74,388
Accounts receivable	53,624	-	53,624
Total Assets	\$ 115,543	\$ 12,469	\$ 128,012
Liabilities			
Current liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Total Liabilities	\$ -	\$ -	\$ -
Net Position			
Unrestricted	\$ 115,543	\$ 12,469	\$ 128,012
Total Net Position	\$ 115,543	\$ 12,469	\$ 128,012

See accompanying independent auditor's report.

Grundy Center Community School District

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds

Year Ended June 30, 2016

	Self Insurance		Total
	Health Insurance	Dental Insurance	
Operating revenues:			
Local sources:			
Charges for service	\$ 768,022	\$ 47,273	\$ 815,295
Non-instructional programs:			
Other operations:			
Benefits	\$ 651,561	\$ 34,843	\$ 686,404
Other	1,382	-	1,382
Total operating expenses	\$ 652,943	\$ 34,843	\$ 687,786
Operating income	\$ 115,079	\$ 12,430	\$ 127,509
Non-operating revenues:			
Interest income	\$ 464	\$ 39	\$ 503
Total non-operating revenues	\$ 464	\$ 39	\$ 503
Increase in net position	\$ 115,543	\$ 12,469	\$ 128,012
Net position beginning of year	-	-	-
Net Position End of Year	\$ 115,543	\$ 12,469	\$ 128,012

See accompanying independent auditor's report.

Grundy Center Community School District

Schedule of Changes in Fiduciary Assets and Liabilities –
Agency Funds

Year ended June 30, 2016

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash, cash equivalents and pooled investments	\$ 2,337	\$ 39	\$ 2,337	\$ 39
Total Assets	<u>\$ 2,337</u>	<u>\$ -</u>	<u>\$ 2,337</u>	<u>\$ -</u>
Liabilities				
Accounts payable	\$ 2,337	\$ 39	\$ 2,337	\$ 39
Total Liabilities	<u>\$ 2,337</u>	<u>\$ 39</u>	<u>\$ 2,337</u>	<u>\$ 39</u>

See accompanying independent auditor's report.

Grundy Center Community School District

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

For the Last Ten Years

	Modified Accrual Basis			
	2016	2015	2014	2013
Revenues:				
Local Sources:				
Local tax	\$ 2,924,280	\$ 2,921,365	\$ 3,816,382	\$ 3,502,671
Tuition	504,307	451,134	356,518	305,021
Other	698,153	545,256	580,454	501,538
Intermediate sources	-	-	-	-
State sources	4,180,907	4,223,441	3,665,588	3,851,115
Federal sources	197,015	521,453	427,916	183,074
Total	\$ 8,504,662	\$ 8,662,649	\$ 8,846,858	\$ 8,343,419
Expenditures:				
Instruction:				
Regular instruction	\$ 2,945,846	\$ 3,121,143	\$ 3,367,818	\$ 3,187,514
Special instruction	892,494	747,021	737,569	786,534
Other instruction	923,358	1,087,800	1,097,517	782,323
Support services:				
Student services	134,770	147,427	177,338	157,766
Instructional staff services	432,499	471,178	510,309	444,362
Administrative services	909,187	783,033	829,801	706,534
Operation and maintenance of plant services	637,205	667,564	636,135	692,484
Transportation services	345,190	259,176	351,815	270,089
Non-instructional programs	5,315	3,426	2,711	2,000
Other expenditures:				
Facilities acquisition	862,373	837,167	796,565	182,895
Long-term debt:				
Principal	93,930	201,406	281,499	394,413
Interest and other charges	2,593	7,702	9,690	21,271
AEA flow-through	264,989	265,693	264,466	258,401
Total	\$ 8,449,749	\$ 8,599,736	\$ 9,063,233	\$ 7,886,586

See accompanying independent auditor's report.

Modified Accrual Basis						
2012	2011	2010	2009	2008	2007	
\$ 3,536,469	\$ 3,329,757	\$ 3,189,115	\$ 3,072,240	\$ 2,654,620	\$ 2,501,957	
307,834	303,305	325,993	337,417	369,437	415,217	
576,372	639,840	635,260	787,170	940,856	873,250	
-	-	-	-	-	-	
3,486,549	3,150,832	2,755,430	3,065,231	3,022,179	2,705,942	
131,917	305,181	497,180	204,403	233,811	251,312	
<u>\$ 8,039,141</u>	<u>\$ 7,728,915</u>	<u>\$ 7,402,978</u>	<u>\$ 7,466,461</u>	<u>\$ 7,220,903</u>	<u>\$ 6,747,678</u>	
\$ 2,743,343	\$ 3,031,483	\$ 2,810,790	\$ 2,668,124	\$ 2,582,004	\$ 2,554,867	
876,095	731,225	836,216	782,801	642,618	669,725	
1,058,059	1,082,556	1,063,960	1,031,035	836,894	837,722	
136,585	72,465	69,243	114,657	105,105	95,360	
461,420	309,405	235,957	180,266	220,406	252,287	
757,404	680,854	711,820	693,604	657,058	605,127	
509,856	544,323	550,877	580,021	680,273	528,455	
286,690	332,743	240,659	309,105	209,682	185,824	
2,000	1,500	1,500	1,500	1,500	-	
308,045	243,170	384,328	788,163	248,636	302,643	
696,892	662,979	464,119	435,082	489,586	444,816	
40,422	59,411	86,488	77,051	87,956	117,043	
249,030	271,850	267,032	222,659	215,321	194,979	
<u>\$ 8,125,841</u>	<u>\$ 8,023,964</u>	<u>\$ 7,722,989</u>	<u>\$ 7,884,068</u>	<u>\$ 6,977,039</u>	<u>\$ 6,788,848</u>	

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

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

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

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Grundy Center Community School District as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated December 14, 2016.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-16 through I-C-16 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-D-16 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grundy Center Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance or other matters that are described in Part 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 my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

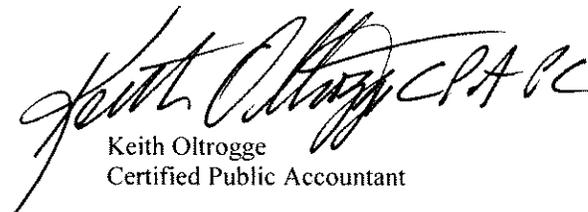
Grundy Center Community School District's Responses to the Findings

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

Purpose of this Report

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

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



Keith Oltrogge
Certified Public Accountant

December 14, 2016

Grundy Center Community School District

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

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

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

Conclusion – Response accepted.

I-B-16 Disbursement Approval – For 25 of 32 general and nutrition fund and 7 of 24 activity fund disbursements, along with 3 of 9 capital project fund expenditures tested, there was no evidence to document the date the Superintendent approved the disbursements and expenditures.

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

Response – The District implemented procedures to have Superintendent approval on all invoices in April 2016 in response to comments from our auditors.

Conclusion – Response acknowledged.

I-C-16 Disbursements – I noted five instances of checks being written without an invoice or supporting documentation.

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

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

Conclusion – Response acknowledged.

Grundy Center Community School District

Schedule of Findings

Year Ended June 30, 2016

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

INTERNAL CONTROL DEFICIENCIES:

I-D-16 Annual Financial Statements – The ability to apply U.S. generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District’s financial reporting process. The District has a limited number of employees and it is not cost beneficial to prepare the financial statements. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

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

Response – We will consult with you as needed on financial statement considerations.

Conclusions -- Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Grundy Center Community School District

Schedule of Findings

Year Ended June 30, 2016

Part II - Other Findings Related to Required Statutory Reporting:

II-A-16 Certified Budget – Expenditures for the year ended June 30, 2016 did not exceed the amended certified budget.

II-B-16 Questionable Expenditures – Certain disbursements were noted I believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

Vendor	Description	Amount
General Fund:		
BMO MasterCard	Excessive tip – 29%	\$23.90
Sam’s Club	Interest	7.07
Sam’s Club	Late fee	43.53
Activity Fund:		
Employee	Used IPod	125.00

Recommendation – The District should review Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1) for the allowability of expenditures. Additionally, the Board of Directors should approve the purchase of such items prior to the expenditure and document the public purpose derived.

Response – The Board will document public purpose for all expenditures.

Conclusion – Response acknowledged.

II-C-16 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-16 Business Transactions – No business transactions between the District and District officials or employees were noted.

II-E-16 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

Grundy Center Community School District

Schedule of Findings

Year Ended June 30, 2016

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

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

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

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

Conclusion – Response accepted.

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 and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

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 were noted of categorical funding being used to supplant rather than supplement other funds.

Grundy Center Community School District

Schedule of Findings

Year Ended June 30, 2016

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

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 District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	421,707
Revenues/transfers in:			
Sales tax revenues	\$	580,458	
Other local revenues		42,761	623,219
		\$	<u>1,044,926</u>
Expenditures/transfers out:			
Equipment	\$	94,712	
School infrastructure		720,089	
Other		29,451	
Transfers to other funds:			
Debt service fund		96,523	940,775
			<u>940,775</u>
Ending balance		\$	<u>104,151</u>

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

	Per \$1,000 of Taxable Valuation		Property Tax Dollars
Debt service levy	\$	-	\$ 580,458
Physical plant and equipment levy (PPEL)		-	286,159
Total			<u>\$ 866,617</u>

II-M-16 Disposal of Property – The District did not publish a notice of assets for sale in the newspaper as required by Iowa Code.

Recommendation – Before the District sells District assets they need to give public notice in the newspaper as required by Iowa code.

Response – We will publish the appropriate notice in the future as required.

Conclusion – Response accepted.

Grundy Center Community School District

Schedule of Findings

Year Ended June 30, 2016

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

II-N-16 Deficit Balances – Eighteen student activity accounts had deficit balances at June 30, 2016. The Proprietary Fund – School Nutrition had a \$16,479 deficit balance at June 30, 2016.

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

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

Conclusion – Response accepted.

II-O-16 Sales Tax – Sales tax was paid by the District on three disbursements tested.

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

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

Conclusion – Response acknowledged.

II-P-16 Student Activity Fund – Account balances remain for previously graduated classes.

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

Response – We will reallocate these activities.

Conclusion – Response accepted.