

GILBERT COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2016

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**Gilbert Community School District**

**Officials**

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

**(Before September 2015 Election)**

Tyler Holck	President	2015
John Nelson	Vice President	2017
Tanya Austin	Board Member	2015
Kim Mosiman	Board Member	2015
Sean Barber	Board Member	2017

**(After September 2015 Election)**

Tyler Holck	President	2019
John Nelson	Vice President	2017
Brian Anderson	Board Member	2019
Kim Mosiman	Board Member	2019
Sean Barber	Board Member	2017

**School Officials**

Lindsey Beecher	Superintendent	2016
Gail Hopkins	Board Secretary/Treasurer and Business Manager	2016
Ahlers & Cooney, P.C.	Attorney	2016

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Telephone (641) 792-1910

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Education of Gilbert Community School District:**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Gilbert Community School District, Gilbert, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gilbert Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 1, 2017, on our consideration of Gilbert Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Gilbert Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

February 1, 2017  
Newton, Iowa

**GILBERT COMMUNITY SCHOOL DISTRICT**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Gilbert 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 \$14,305,202 in fiscal year 2015 to \$14,629,073 in fiscal year 2016, while General Fund expenditures increased from \$14,318,106 in fiscal year 2015 to \$14,371,489 in fiscal year 2016. The District's General Fund balance increased from \$391,075 at June 30, 2015 to \$648,659 at June 30, 2016, a 65.87% increase from the prior year.
- The increase in General Fund revenues was mostly attributable to increased local source revenues received as compared to the prior year. The increase in expenditures was due primarily to an increase in instruction expenditures incurred as compared to the prior year.

### **USING THIS ANNUAL REPORT**

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

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

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

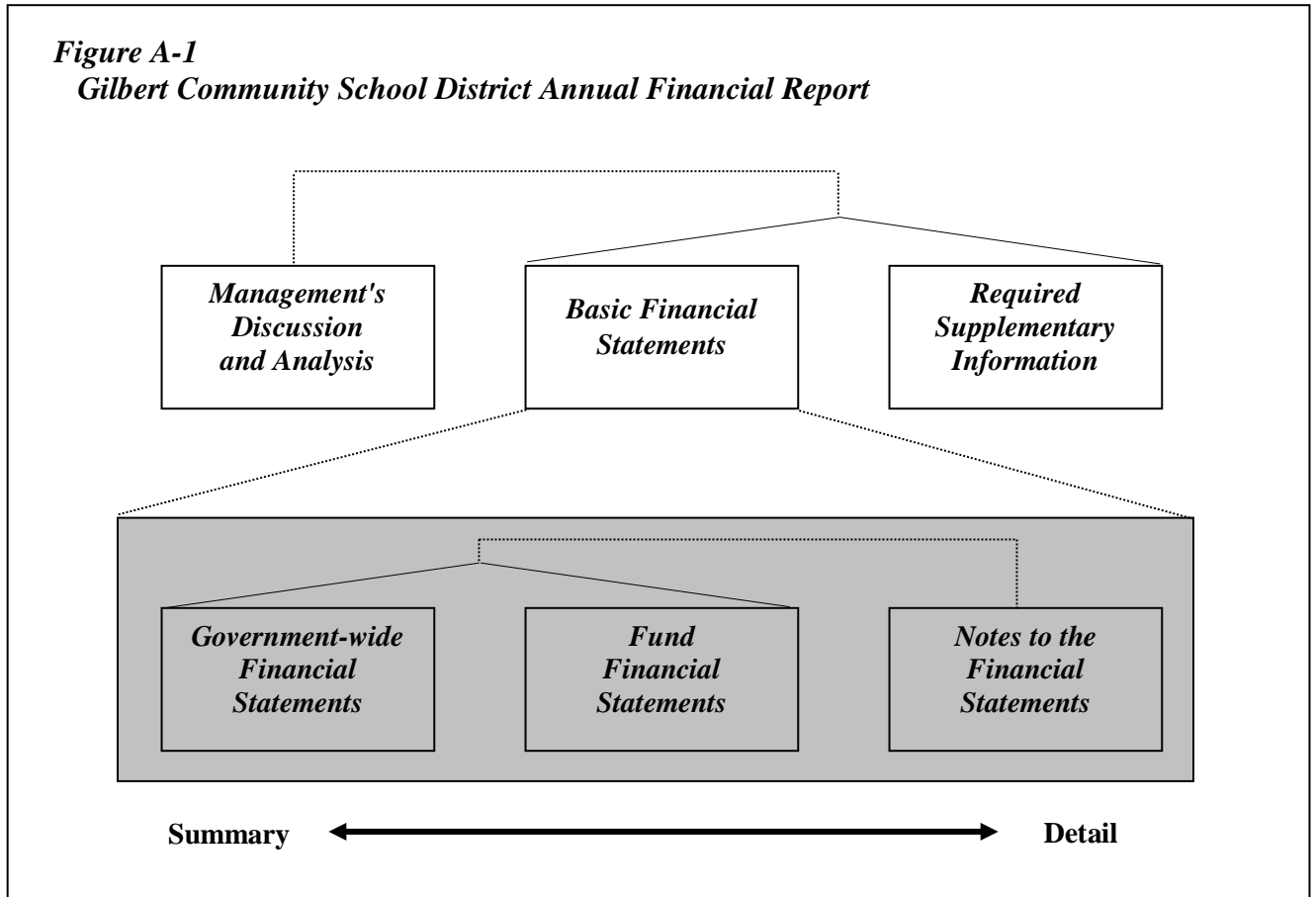
The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Gilbert Community School District's operations in more detail than the government-wide statements by providing information about the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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds as well as providing combining schedules for the District's Capital Projects Fund and Debt Service Fund accounts.

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





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

<b>Figure A-2</b>			
<b>Major Features of the Government-Wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food service
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

## **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.

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

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

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

### **Fund Financial Statements**

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

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

The District has two kinds of funds:

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Figure A-3 Condensed Statement of Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-16
Current and other assets	\$ 16,003,292	12,448,663	52,551	19,904	16,055,843	12,468,567	28.77%
Capital assets	43,496,425	44,627,857	242,742	274,555	43,739,167	44,902,412	-2.59%
Total assets	59,499,717	57,076,520	295,293	294,459	59,795,010	57,370,979	4.23%
Deferred outflows of resources	1,234,567	1,147,189	29,728	27,680	1,264,295	1,174,869	7.61%
Long-term liabilities	36,482,555	36,992,819	166,203	133,372	36,648,758	37,126,191	-1.29%
Other liabilities	2,108,572	309,701	69,330	44,500	2,177,902	354,201	514.88%
Total liabilities	38,591,127	37,302,520	235,533	177,872	38,826,660	37,480,392	3.59%
Deferred inflows of resources	9,259,179	9,601,339	15,079	47,822	9,274,258	9,649,161	-3.89%
Net position:							
Net investment in capital assets	13,536,425	12,982,857	242,742	274,555	13,779,167	13,257,412	3.94%
Restricted	4,914,047	4,110,763	-	-	4,914,047	4,110,763	19.54%
Unrestricted	(5,566,494)	(5,773,770)	(168,333)	(178,110)	(5,734,827)	(5,951,880)	3.65%
Total net position	\$ 12,883,978	11,319,850	74,409	96,445	12,958,387	11,416,295	13.51%

The District's combined net position increased by 13.51%, or \$1,542,092, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased by 19.54%, or \$803,284, from the prior year. This increase in restricted net position is mainly attributable to the increase in ending fund balance for the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Unrestricted net position - the part of net position that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- increased 3.65%, or \$217,053, from the prior year. The increase in unrestricted net position is primarily a result of the increase in ending fund balance for the General Fund.

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

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2016	2015	2016	2015	2016	2015	2015-16
Program revenues:							
Charges for service	\$ 1,963,876	1,998,090	462,986	462,721	2,426,862	2,460,811	-1.38%
Operating grants, contributions and restricted interest	1,033,016	1,111,001	174,684	155,898	1,207,700	1,266,899	-4.67%
Capital grants, contributions and restricted interest	57,035	-	-	-	57,035	-	100.00%
General revenues:							
Property tax	7,694,989	7,069,952	-	-	7,694,989	7,069,952	8.84%
Statewide sales, services and use tax	1,282,579	1,252,348	-	-	1,282,579	1,252,348	2.41%
Nonspecific program federal grants	-	8,747	-	-	-	8,747	-100.00%
Unrestricted state grants	6,911,210	6,827,427	-	-	6,911,210	6,827,427	1.23%
Unrestricted interest	30,430	26,975	205	227	30,635	27,202	12.62%
Other	223,781	164,534	3,327	3,617	227,108	168,151	35.06%
Total revenues	<u>19,196,916</u>	<u>18,459,074</u>	<u>641,202</u>	<u>622,463</u>	<u>19,838,118</u>	<u>19,081,537</u>	<u>3.96%</u>
Program expenses:							
Instruction	10,804,087	10,304,593	-	-	10,804,087	10,304,593	4.85%
Support services	4,439,785	5,007,296	4,845	2,241	4,444,630	5,009,537	-11.28%
Non-instructional programs	1,120	368	663,598	681,192	664,718	681,560	-2.47%
Other expenses	2,382,591	2,407,017	-	-	2,382,591	2,407,017	-1.01%
Total expenses	<u>17,627,583</u>	<u>17,719,274</u>	<u>668,443</u>	<u>683,433</u>	<u>18,296,026</u>	<u>18,402,707</u>	<u>-0.58%</u>
Excess(Deficiency) of revenues over(under) expenses	1,569,333	739,800	(27,241)	(60,970)	1,542,092	678,830	127.17%
Transfers	(5,205)	-	5,205	-	-	-	0.00%
Change in net position	1,564,128	739,800	(22,036)	(60,970)	1,542,092	678,830	127.17%
Net position beginning of year	<u>11,319,850</u>	<u>10,580,050</u>	<u>96,445</u>	<u>157,415</u>	<u>11,416,295</u>	<u>10,737,465</u>	<u>6.32%</u>
Net position end of year	<u>\$ 12,883,978</u>	<u>11,319,850</u>	<u>74,409</u>	<u>96,445</u>	<u>12,958,387</u>	<u>11,416,295</u>	<u>13.51%</u>

In fiscal year 2016, property tax and unrestricted state grants accounted for 76.09% of the revenue from governmental activities while charges for service and operating grants and contributions account for 99.45% of the revenue from business type activities.

The District's total revenues were \$19,838,118 of which \$19,196,916 was for governmental activities and \$641,202 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.96% increase in revenues and a 0.58% decrease in expenses. The increase in revenues was primarily due to an increase in property tax revenues received compared to the prior year while the decrease in expenses was primarily due to a decrease in expenditures in the support services function as compared to the prior year.

## Governmental Activities

Revenues for governmental activities were \$19,196,916 and expenses were \$17,627,583 for the year ended June 30, 2016.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2016 compared to June 30, 2015.

	Total Cost of Services			Net Cost of Services		
	2016	2015	Change 2015-16	2016	2015	Change 2015-16
Instruction	\$ 10,804,087	10,304,593	4.85%	8,326,166	7,742,867	7.53%
Support services	4,439,785	5,007,296	-11.33%	4,403,954	4,986,893	-11.69%
Non-instructional programs	1,120	368	204.35%	1,120	368	204.35%
Other expenses	2,382,591	2,407,017	-1.01%	1,842,416	1,880,055	-2.00%
Totals	\$ 17,627,583	17,719,274	-0.52%	14,573,656	14,610,183	-0.25%

For the year ended June 30, 2016:

- The cost financed by users of the District's programs was \$1,963,876.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$1,090,051.
- The net cost of governmental activities was financed with \$7,694,989 in property tax, \$1,282,579 in statewide sales, services and use tax, \$6,911,210 in unrestricted state grants, \$30,430 in interest income and \$223,781 in other general revenues.

## Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2016 were \$641,202 and expenses were \$668,443. 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, investment income and other general revenues.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Gilbert 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 \$5,345,395, above last year's ending fund balances of a \$4,652,051. However, the primary reason for the increase in combined fund balances at the end of fiscal year 2016 is the increase in the Capital Projects Fund balance as compared to the prior year.

## Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. The General Fund balance increased from \$391,075 at June 30, 2015 to \$648,659 at June 30, 2016. Both revenues and expenditures increased during the year but revenues continued to outpace expenditures ensuring an increase in ending fund balance.

- The Capital Projects Fund balance increased from \$1,864,616 at June 30, 2015 to \$2,313,928 at June 30, 2016. The primary reason for this increase in fund balance was an increase in local tax and state sales tax revenue received and a decrease in capital outlay expenditures incurred as compared to the prior year.
- The Debt Service Fund balance increased from \$1,876,588 at June 30, 2015 to \$1,936,280 at June 30, 2016. Revenues and expenditures did not vary significantly from the prior year.

### Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$96,445 at June 30, 2015 to \$74,409 at June 30, 2016. Although revenues increased and expenditures decreased as compared to the previous year total expenditures still outpaced total revenues ensuring a decrease in ending net position.

### BUDGETARY HIGHLIGHTS

The District's revenues were \$1,785,944 less than budgeted revenues, a variance of 8.26%. The most significant variance resulted from the District receiving less from local sources than originally anticipated.

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

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2016, the District had invested \$43,739,167, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2.59% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,521,840.

The original cost of the District's capital assets was \$56,334,093. Governmental funds account for \$55,784,199 with the remainder of \$549,894 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$40,411,142 at June 30, 2016, compared to \$41,255,164 at June 30, 2015. The primary reason for this decrease is due to depreciation expense recognized during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	2015-16
Land	\$ 1,146,053	1,146,053	-	-	1,146,053	1,146,053	0.00%
Intangibles	25,810	-	-	-	25,810	-	100.00%
Buildings	40,411,142	41,255,164	-	-	40,411,142	41,255,164	-2.05%
Land improvements	938,197	951,163	-	-	938,197	951,163	-1.36%
Machinery and equipment	975,223	1,275,477	242,742	274,555	1,217,965	1,550,032	-21.42%
Total	\$ 43,496,425	44,627,857	242,742	274,555	43,739,167	44,902,412	-2.59%

## Long-Term Debt

At June 30, 2016, the District had \$36,648,758 of total long-term debt outstanding. This represents a decrease of 1.29% from the prior year (See Figure A-7). More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District had revenue bonded indebtedness of \$11,125,000 at June 30, 2016 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had outstanding general obligation bonded indebtedness of \$18,835,000 at June 30, 2016 payable from the Debt Service Fund.

The District had termination benefits of \$6,801 due to District early retirees at June 30, 2016 payable from the Management Levy Fund.

The District had a total net pension liability of \$6,465,981 at June 30, 2016. \$6,310,685 is attributed to the District's governmental activities while the remaining \$155,296 is attributed to the District's business type activities.

The District had a total net OPEB liability of \$215,976 at June 30, 2016. \$205,069 of this total is attributed to the District's governmental activities while the remaining \$10,907 is attributed to the District's business type activities.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-16
Revenue bonds	\$ 11,125,000	11,770,000	-	-	11,125,000	11,770,000	-5.48%
General obligation bonds	18,835,000	19,875,000	-	-	18,835,000	19,875,000	-5.23%
Termination benefits	6,801	153,691	-	-	6,801	153,691	-95.57%
Net pension liability	6,310,685	5,034,841	155,296	125,394	6,465,981	5,160,235	25.30%
Net OPEB obligation	205,069	159,287	10,907	7,978	215,976	167,265	29.12%
<b>Total</b>	<b>\$ 36,482,555</b>	<b>36,992,819</b>	<b>166,203</b>	<b>133,372</b>	<b>36,648,758</b>	<b>37,126,191</b>	<b>-1.29%</b>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Gilbert CSD has hired Haila Architecture Structure Planning to provide the District with a Facility Master Plan to manage the potential enrollment growth due to housing developments. Iowa School Finance Information Services was hired to provide a 10-year enrollment growth study. Currently Haila and Iowa School Finance Information Services are working with the Board to determine the 10-year enrollment model that will be used for the master plan. The three 10-year enrollment projections range from 11.59% to 28.15%. This master plan is projected to be finalized at the March 2017 Board meeting.
- Gilbert CSD faces challenges of providing the appropriate number of staff and amount of supplies needed to educate District students due to the growth of enrollment, the District not having the appropriate supplemental state aid or funding to do so creates unique challenges for the District's cost structure and requires the District to come up with alternatives.

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## **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 Gail Hopkins Board Secretary/Treasurer and Business Manager, Gilbert Community School District, 103 Mathews Drive, Gilbert, Iowa, 50105.



BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 6,676,188	33,368	6,709,556
Receivables:			
Property tax:			
Delinquent	24,186	-	24,186
Succeeding year	8,736,119	-	8,736,119
Accounts	4,027	459	4,486
Due from other governments	562,772	-	562,772
Inventories	-	18,724	18,724
Capital assets, net of accumulated depreciation	43,496,425	242,742	43,739,167
<b>TOTAL ASSETS</b>	<b>59,499,717</b>	<b>295,293</b>	<b>59,795,010</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	1,234,567	29,728	1,264,295
<b>LIABILITIES</b>			
Accounts payable	359,113	5,765	364,878
Salaries and benefits payable	1,562,665	41,351	1,604,016
Accrued interest payable	186,794	-	186,794
Unearned revenue	-	22,214	22,214
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	1,065,000	-	1,065,000
Revenue bonds payable	660,000	-	660,000
Termination benefits payable	6,801	-	6,801
Portion due after one year:			
General obligation bonds payable	17,770,000	-	17,770,000
Revenue bonds payable	10,465,000	-	10,465,000
Net pension liability	6,310,685	155,296	6,465,981
Net OPEB liability	205,069	10,907	215,976
<b>TOTAL LIABILITIES</b>	<b>38,591,127</b>	<b>235,533</b>	<b>38,826,660</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenues	8,736,119	-	8,736,119
Pension related deferred inflows	523,060	15,079	538,139
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>9,259,179</b>	<b>15,079</b>	<b>9,274,258</b>
<b>NET POSITION</b>			
Net investment in capital assets	13,536,425	242,742	13,779,167
Restricted for:			
Categorical funding	410,311	-	410,311
Debt service	1,749,486	-	1,749,486
School infrastructure	1,585,503	-	1,585,503
Physical plant and equipment	728,425	-	728,425
Management levy	238,648	-	238,648
Student activities	201,674	-	201,674
Unrestricted	(5,566,494)	(168,333)	(5,734,827)
<b>TOTAL NET POSITION</b>	<b>\$ 12,883,978</b>	<b>74,409</b>	<b>12,958,387</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total	
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 7,371,580	1,388,883	50,129	35,100	(5,897,468)	-	(5,897,468)
Special	1,481,133	102,661	188,816	-	(1,189,656)	-	(1,189,656)
Other	1,951,374	469,956	237,941	4,435	(1,239,042)	-	(1,239,042)
	<u>10,804,087</u>	<u>1,961,500</u>	<u>476,886</u>	<u>39,535</u>	<u>(8,326,166)</u>	<u>-</u>	<u>(8,326,166)</u>
Support services:							
Student	378,563	-	-	-	(378,563)	-	(378,563)
Instructional staff	571,019	-	5,588	-	(565,431)	-	(565,431)
Administration	1,430,963	-	-	17,500	(1,413,463)	-	(1,413,463)
Operation and maintenance of plant	1,431,143	-	-	-	(1,431,143)	-	(1,431,143)
Transportation	628,097	2,376	10,367	-	(615,354)	-	(615,354)
	<u>4,439,785</u>	<u>2,376</u>	<u>15,955</u>	<u>17,500</u>	<u>(4,403,954)</u>	<u>-</u>	<u>(4,403,954)</u>
Non-instructional programs:							
Food service operations	1,120	-	-	-	(1,120)	-	(1,120)
Long-term debt interest	818,586	-	-	-	(818,586)	-	(818,586)
Other expenses:							
AEA flowthrough	540,175	-	540,175	-	-	-	-
Depreciation(unallocated)*	1,023,830	-	-	-	(1,023,830)	-	(1,023,830)
	<u>1,564,005</u>	<u>-</u>	<u>540,175</u>	<u>-</u>	<u>(1,023,830)</u>	<u>-</u>	<u>(1,023,830)</u>
Total governmental activities	<u>17,627,583</u>	<u>1,963,876</u>	<u>1,033,016</u>	<u>57,035</u>	<u>(14,573,656)</u>	<u>-</u>	<u>(14,573,656)</u>
Business type activities:							
Support services:							
Administration	1,477	-	-	-	(1,477)	-	(1,477)
Operation and maintenance of plant	3,368	-	-	-	(3,368)	-	(3,368)
	<u>4,845</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,845)</u>	<u>-</u>	<u>(4,845)</u>
Non-instructional programs:							
Food service operations	663,598	462,986	174,684	-	-	(25,928)	(25,928)
Total business type activities	<u>668,443</u>	<u>462,986</u>	<u>174,684</u>	<u>-</u>	<u>-</u>	<u>(30,773)</u>	<u>(30,773)</u>
Total	<u>\$ 18,296,026</u>	<u>2,426,862</u>	<u>1,207,700</u>	<u>57,035</u>	<u>(14,573,656)</u>	<u>(30,773)</u>	<u>(14,604,429)</u>
<b>General Revenues and Transfers:</b>							
Property tax levied for:							
General purposes				\$ 5,368,120	-		5,368,120
Debt service				1,603,598	-		1,603,598
Capital outlay				723,271	-		723,271
Statewide sales, services and use tax				1,282,579	-		1,282,579
Unrestricted state grants				6,911,210	-		6,911,210
Unrestricted investment earnings				30,430	205		30,635
Other				223,781	3,327		227,108
Transfers				(5,205)	5,205		-
Total general revenues and transfers				<u>16,137,784</u>	<u>8,737</u>		<u>16,146,521</u>
Change in net position				1,564,128	(22,036)		1,542,092
Net position beginning of year				11,319,850	96,445		11,416,295
Net position end of year				<u>\$ 12,883,978</u>	<u>74,409</u>		<u>12,958,387</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 2,142,066	2,127,955	1,931,240	474,927	6,676,188
Receivables:					
Property tax:					
Delinquent	15,931	2,271	5,040	944	24,186
Succeeding year	6,013,945	771,030	1,601,143	350,001	8,736,119
Accounts	4,027	-	-	-	4,027
Due from other governments	352,032	210,740	-	-	562,772
<b>TOTAL ASSETS</b>	<b>\$ 8,528,001</b>	<b>3,111,996</b>	<b>3,537,423</b>	<b>825,872</b>	<b>16,003,292</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 302,732	27,038	-	29,343	359,113
Salaries and benefits payable	1,562,665	-	-	-	1,562,665
Total liabilities	1,865,397	27,038	-	29,343	1,921,778
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	6,013,945	771,030	1,601,143	350,001	8,736,119
Fund balances:					
Restricted for:					
Categorical funding	410,311	-	-	-	410,311
Debt service	-	-	1,936,280	-	1,936,280
School infrastructure	-	1,585,503	-	-	1,585,503
Physical plant and equipment	-	728,425	-	-	728,425
Management levy purposes	-	-	-	245,449	245,449
Student activities	-	-	-	201,674	201,674
Unassigned:					
General	238,348	-	-	-	238,348
Student activities	-	-	-	(595)	(595)
Total fund balances	648,659	2,313,928	1,936,280	446,528	5,345,395
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 8,528,001</b>	<b>3,111,996</b>	<b>3,537,423</b>	<b>825,872</b>	<b>16,003,292</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds(page 20)</b>	\$	5,345,395
 <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.		43,496,425
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(186,794)
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	\$ 1,234,567	
Deferred inflows of resources	<u>(523,060)</u>	711,507
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, termination benefits payable, other postemployment benefits payable, and the net pension liability are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(36,482,555)</u>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>12,883,978</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 5,067,819	723,271	1,603,598	300,301	7,694,989
Tuition	1,364,329	-	-	-	1,364,329
Other	357,289	83,462	6,911	539,995	987,657
State sources	7,590,366	1,290,459	16,655	3,191	8,900,671
Federal sources	249,270	-	-	-	249,270
<b>TOTAL REVENUES</b>	<b>14,629,073</b>	<b>2,097,192</b>	<b>1,627,164</b>	<b>843,487</b>	<b>19,196,916</b>
EXPENDITURES:					
Current:					
Instruction:					
Regular	7,021,955	249,332	-	158,077	7,429,364
Special	1,588,213	-	-	-	1,588,213
Other	1,447,849	14,096	-	456,514	1,918,459
	<b>10,058,017</b>	<b>263,428</b>	<b>-</b>	<b>614,591</b>	<b>10,936,036</b>
Support services:					
Student	382,889	-	-	-	382,889
Instructional staff	347,634	96,962	-	-	444,596
Administration	1,415,403	42,100	-	21,960	1,479,463
Operation and maintenance of plant	1,163,926	25,257	-	232,157	1,421,340
Transportation	463,445	41,355	-	46,903	551,703
	<b>3,773,297</b>	<b>205,674</b>	<b>-</b>	<b>301,020</b>	<b>4,279,991</b>
Non-instructional programs:					
Food service operations	-	-	-	1,120	1,120
Capital outlay	-	235,173	-	-	235,173
Long-term debt:					
Principal	-	-	1,685,000	-	1,685,000
Interest and fiscal charges	-	-	826,077	-	826,077
	<b>-</b>	<b>-</b>	<b>2,511,077</b>	<b>-</b>	<b>2,511,077</b>
Other expenditures:					
AEA flowthrough	540,175	-	-	-	540,175
<b>TOTAL EXPENDITURES</b>	<b>14,371,489</b>	<b>704,275</b>	<b>2,511,077</b>	<b>916,731</b>	<b>18,503,572</b>
Excess(Deficiency) of revenues over(under) expenditures	257,584	1,392,917	(883,913)	(73,244)	693,344
Other financing sources(uses):					
Transfer in	-	-	943,605	-	943,605
Transfer out	-	(943,605)	-	-	(943,605)
Total other financing sources(uses)	<b>-</b>	<b>(943,605)</b>	<b>943,605</b>	<b>-</b>	<b>-</b>
Change in fund balances	257,584	449,312	59,692	(73,244)	693,344
Fund balances beginning of year	391,075	1,864,616	1,876,588	519,772	4,652,051
Fund balances end of year	<b>\$ 648,659</b>	<b>2,313,928</b>	<b>1,936,280</b>	<b>446,528</b>	<b>5,345,395</b>

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT 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 22)** \$ 693,344

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

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

Capital outlay	\$ 353,390	
Depreciation expense	<u>(1,484,822)</u>	(1,131,432)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. Current year repayments are as follows: 1,685,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 7,491

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 653,781

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.

Termination benefits	146,890	
Pension expense	(445,164)	
Other postemployment benefits	<u>(45,782)</u>	<u>(344,056)</u>

**Change in net position of governmental activities(page 19)** \$ 1,564,128

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2016

	Enterprise School Nutrition
<b>ASSETS</b>	
Current assets:	
Cash and pooled investments	\$ 33,368
Accounts receivable	459
Inventories	18,724
Total current assets	52,551
Noncurrent assets:	
Capital assets, net of accumulated depreciation	242,742
<b>TOTAL ASSETS</b>	<b>295,293</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related deferred outflows	29,728
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	5,765
Salaries and benefits payable	41,351
Unearned revenues	22,214
Total current liabilities	69,330
Noncurrent liabilities:	
Net pension liability	155,296
Net OPEB liability	10,907
Total noncurrent liabilities	166,203
<b>TOTAL LIABILITIES</b>	<b>235,533</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related deferred outflows	15,079
 <b>NET POSITION</b>	
Net investment in capital assets	242,742
Unrestricted	(168,333)
<b>TOTAL NET POSITION</b>	<b>\$ 74,409</b>

SEE NOTES TO FINANCIAL STATEMENTS.



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

	Enterprise School Nutrition
OPERATING REVENUES:	
Local sources:	
Charges for service	\$ 462,986
Miscellaneous	3,327
TOTAL OPERATING REVENUES	466,313
OPERATING EXPENSES:	
Support services:	
Administration:	
Services	1,477
Operation and maintenance of plant:	
Services	3,368
Total support services	4,845
Non-instructional programs:	
Food service operations:	
Salaries	205,589
Benefits	75,445
Services	1,759
Supplies	343,787
Depreciation	37,018
Total non-instructional programs	663,598
TOTAL OPERATING EXPENSES	668,443
OPERATING LOSS	(202,130)
NON-OPERATING REVENUES:	
Interest	205
State sources	4,773
Federal sources	169,911
TOTAL NON-OPERATING REVENUES	174,889
Change in net position before other financing sources	(27,241)
Other financing sources:	
Capital contributions	5,205
Change in net position	(22,036)
Net position beginning of year	96,445
Net position end of year	\$ 74,409

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2016

	Enterprise School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 464,692
Cash received from miscellaneous	3,327
Cash payments to employees for services	(241,643)
Cash payments to suppliers for goods or services	(294,647)
Net cash used in operating activities	(68,271)
Cash flows from non-capital financing activities:	
State grants received	4,773
Federal grants received	121,112
Net cash provided by non-capital financing activities	125,885
Cash flows from investing activities:	
Interest on investments	205
Net increase in cash and pooled investments	57,819
Cash and pooled investments beginning of year	(24,451)
Cash and pooled investments end of year	\$ 33,368
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (202,130)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	48,799
Depreciation	37,018
Decrease in inventories	1,180
Increase in accounts receivable	(459)
Increase in accounts payable	5,765
Increase in salaries and benefits payable	41,351
Increase in unearned revenue	2,165
Increase in net pension liability	29,902
Increase in deferred outflows of resources	(2,048)
Decrease in deferred inflows of resources	(32,743)
Increase in other postemployment benefits	2,929
Net cash used in operating activities	\$ (68,271)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2016, the District received \$48,799 of federal commodities.

During the year ended June 30, 2016, the District received \$5,205 in capital contributions from the Capital Projects: Physical Plant and Equipment Levy Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**(1) Summary of Significant Accounting Policies**

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Boone and Story County Assessors' Conference Board.

**B. Basis of Presentation**

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

The Statement of Net Position presents the District's 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 three categories:

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

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund and Debt Service Fund accounts.

The District reports the following major governmental funds:

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

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

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

The District reports to following nonmajor enterprise fund:

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

### **C. Measurement Focus and Basis of Accounting**

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

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

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

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

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

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

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

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

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

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

**Cash, 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.

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, they have a maturity date no longer than three months.

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

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

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

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

Capital Assets - Capital assets, which include property, machinery, equipment, and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 years
Intangibles	2 or more years
Machinery and equipment	5-12 years

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

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

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

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

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue 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 consists of property tax and other receivables not collected within sixty days after year end.

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

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

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

Unassigned - All amounts not included in the preceding classifications.

#### **E. Budgets and Budgetary Accounting**

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

##### **(2) Cash and Pooled Investments**

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

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

At June 30, 2016, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$14 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard and Poor's Financial Services.

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

##### **(3) Interfund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service: Debt Sinking	Capital Projects: Statewide Sales, Services and Use Tax	\$ 943,605

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

#### (4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
Revenue bonds	\$ 11,770,000	-	645,000	11,125,000	660,000
General obligation bonds	19,875,000	-	1,040,000	18,835,000	1,065,000
Termination benefits	153,691	6,801	153,691	6,801	6,801
Net pension liability	5,034,841	1,275,844	-	6,310,685	-
Net OPEB liability	159,287	45,782	-	205,069	-
Total	\$ 36,992,819	1,328,427	1,838,691	36,482,555	1,731,801
<b>Business type activities:</b>					
Net pension liability	\$ 125,394	29,902	-	155,296	-
Net OPEB liability	7,978	2,929	-	10,907	-
Total	\$ 133,372	32,831	-	166,203	-

#### General Obligation Bonds Payable

Details of the District's June 30, 2016 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Bond Dated October 1, 2011			Bond Dated February 1, 2012		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2017	3.00	% \$ 135,000	295,907	2.65	% \$ 140,000	9,422
2018	3.00	140,000	291,858	1.35	150,000	5,713
2019	3.00	145,000	287,657	1.55	125,000	3,688
2020	3.00	150,000	283,308	1.75	100,000	1,750
2021	3.00	160,000	278,807	-	-	-
2022-2026	3.00	2,670,000	1,287,238	-	-	-
2027-2031	3.20-3.55	5,745,000	603,728	-	-	-
2032-2033	-	-	-	-	-	-
Total		\$ 9,145,000	3,328,503		\$ 515,000	20,573



Year Ending June 30,	Bond Dated June 1, 2013			Refunding Bond Dated April 1, 2014			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2017	0.75	% \$ 40,000	128,738	2.50-3.00	% \$ 750,000	100,075	\$ 1,065,000	534,142	1,599,142
2018	0.75	35,000	128,438	3.00	770,000	78,275	1,095,000	504,284	1,599,284
2019	2.00	65,000	128,175	3.00-2.00	790,000	55,025	1,125,000	474,545	1,599,545
2020	2.00	85,000	126,875	2.00	815,000	37,150	1,150,000	449,083	1,599,083
2021	2.00	185,000	125,175	2.00	830,000	20,750	1,175,000	424,732	1,599,732
2022-2026	2.00-2.50	830,000	570,775	2.00	415,000	6,250	3,915,000	1,864,263	5,779,263
2027-2031	2.50-2.75	685,000	487,288	-	-	-	6,430,000	1,091,016	7,521,016
2032-2033	3.00	2,880,000	130,200	-	-	-	2,880,000	130,200	3,010,200
Total		\$ 4,805,000	1,825,664		\$ 4,370,000	297,525	\$ 18,835,000	5,472,265	24,307,265

**Revenue Bonds Payable**

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

Year Ending June 30,	Bond Dated February 1, 2012			Bond Dated July 1, 2013			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2017	2.00	% \$ 310,000	209,758	2.00	% \$ 350,000	67,435	660,000	277,193	937,193
2018	2.00	315,000	203,507	2.00	355,000	60,385	670,000	263,892	933,892
2019	2.00	530,000	195,058	2.00	155,000	55,285	685,000	250,343	935,343
2020	2.00	540,000	184,357	2.00	155,000	52,185	695,000	236,542	931,542
2021	2.10	550,000	173,183	2.00	160,000	49,035	710,000	222,218	932,218
2022-2026	2.25-2.75	2,950,000	663,043	2.00-3.00	845,000	192,467	3,795,000	855,510	4,650,510
2027-2030	2.90-3.40	3,010,000	217,651	3.00-3.20	900,000	65,970	3,910,000	283,621	4,193,621
Total		\$ 8,205,000	1,846,557		\$ 2,920,000	542,762	11,125,000	2,389,319	13,514,319

The District has pledged future statewide sales, services and use tax revenues to repay the \$8,900,000 of bonds issued February 1, 2012 and \$3,650,000 of bonds issued July 1, 2013. The bonds were issued for the purpose of financing a portion of the costs of the new high school as well as other District construction projects. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limit of the District. Annual principal and interest payments on the bonds are expected to require approximately 73% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$13,514,319. For the current year, \$645,000 in principal and \$290,243 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,282,579.

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

- a) \$1,063,954 of the proceeds from the issuances of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited in the sinking account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Moneys in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

### **Termination Benefits**

During fiscal year 2016, the District approved a voluntary early retirement plan for employees. The plan was offered to employees for one year only. Eligible employees must have completed at least twelve consecutive years of service to Gilbert Community School District prior to June 30<sup>th</sup> of the fiscal year the employee wishes to retire. Employees must also have reached age fifty-five on or before June 30, 2016. The application for early retirement was subject to approval by the Board of Education.

Early retirement benefits granted to approved retirees include a payment of forty-eight percent of the employees regular contracted salary from the last year of employment paid to a Special Pay 403b trust. The benefit will be paid to the 403b in July following the fiscal year of retirement. At June 30, 2016, the District had an obligation to one participant with a total liability of \$6,801.

### **(5) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,146,053	-	-	1,146,053
Total capital assets not being depreciated	1,146,053	-	-	1,146,053
Capital assets being depreciated:				
Buildings	48,064,674	109,842	-	48,174,516
Land improvements	1,692,781	57,000	-	1,749,781
Intangible assets	-	32,263	-	32,263
Machinery and equipment	4,527,301	154,285	-	4,681,586
Total capital assets being depreciated	54,284,756	353,390	-	54,638,146
Less accumulated depreciation for:				
Buildings	6,809,510	953,864	-	7,763,374
Land improvements	741,618	69,966	-	811,584
Intangible assets	-	6,453	-	6,453
Machinery and equipment	3,251,824	454,539	-	3,706,363
Total accumulated depreciation	10,802,952	1,484,822	-	12,287,774
Total capital assets being depreciated, net	43,481,804	(1,131,432)	-	42,350,372
Governmental activities capital assets, net	\$ 44,627,857	(1,131,432)	-	43,496,425
<b>Business type activities:</b>				
Machinery and equipment	\$ 544,689	5,205	-	549,894
Less accumulated depreciation	270,134	37,018	-	307,152
Business type activities capital assets	\$ 274,555	(31,813)	-	242,742

Depreciation expense was charged by the District as follows:

**Governmental activities:**

Instruction:

Regular	\$ 156,581
Special	1,452
Other	114,108

Support services:

Instructional staff	23,093
Administration	20,482
Operation and maintenance of plant	29,726
Transportation	115,550

460,992

Unallocated depreciation	<u>1,023,830</u>
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Total governmental activities depreciation expense	<u>\$ 1,484,822</u>
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**Business type activities:**

Food service operations	<u>\$ 37,018</u>
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**(6) Pension Plan**

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

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

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

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

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

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

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

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

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% of covered payroll for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2016 were \$669,103.

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 \$6,465,981 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 0.130878%, which was an increase of 0.000763% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016 the District recognized pension expense of \$455,597. 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	\$ 97,693	-
Changes of assumptions	178,025	-
Net difference between projected and actual earnings on IPERS' investments	-	538,139
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	319,474	-
District contributions subsequent to the measurement date	669,103	-
Total	<u>\$ 1,264,295</u>	<u>538,139</u>

\$669,103 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2017	\$ (90,235)
2018	(90,235)
2019	(90,235)
2020	317,579
2021	10,179
	<u>\$ 57,053</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments 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 percent) or 1% higher (8.5 percent) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 11,320,770	6,465,981	2,368,191

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

Payables to IPERS - At June 30, 2016, the District reported payables to IPERS of \$101,968 for legally required District contributions and \$67,953 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 99 active and 4 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 and unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's 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	\$	59,846
Interest on net OPEB obligation		4,182
Adjustment to annual required contribution		(10,557)
Annual OPEB cost		<u>53,471</u>
Contributions made		<u>(4,760)</u>
Increase in net OPEB obligation		48,711
Net OPEB obligation beginning of year		<u>167,265</u>
Net OPEB obligation end of year	\$	<u><u>215,976</u></u>

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

For the year ended June 30, 2016, the District contributed \$4,760 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 41,248	18.92%	\$ 130,106
2015	43,010	13.60%	167,265
2016	53,471	8.90%	215,976

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 \$349,325, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$349,325. The covered payroll (annual payroll of active employees covered by the plan) was \$7,236,786, and the ratio of the UAAL to covered payroll was 4.83%. 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 event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2015 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table Projected to 2015, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(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.

**(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 \$540,175 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) Deficit Balances/Net Position**

At June 30, 2016 the District had a deficit unassigned fund balance of \$595 in the Student Activity Fund, deficit unrestricted net position of \$168,333 in the Enterprise, School Nutrition Fund and a deficit unrestricted net position of \$5,566,494 in its governmental activities.

**(11) Categorical Funding**

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

Program	Amount
Four-year-old preschool state aid	\$ 19,441
Home school assistance program	134,394
Beginning teacher mentoring and induction program	8,344
Teacher salary supplement	71,539
Successful progression for early readers	34,285
Professional development for model core curriculum	33,158
Professional development	32,962
Market factor incentives	4,741
Teacher leadership grants	16,230
Teacher leadership state aid	55,217
Total	\$ 410,311



**(12) Reconciliation of Governmental Fund Balances to Net Position**

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

	Net			Unassigned/
	Investment in	Management	Debt	Unrestricted
	Capital Assets	Levy	Service	Balances
<b>Fund balance (Exhibit C)</b>	\$ -	245,449	1,936,280	238,348
Capital assets, net of accumulated depreciation	43,496,425	-	-	-
General obligation bond capitalized indebtedness	(18,835,000)	-	-	-
Revenue bond capitalized indebtedness	(11,125,000)	-	-	-
Termination benefits	-	(6,801)	-	-
Accrued interest payable	-	-	(186,794)	-
Net pension liability	-	-	-	(6,310,685)
Pension related deferred outflows	-	-	-	1,234,567
Pension related deferred inflows	-	-	-	(523,060)
Unassigned for student activities	-	-	-	(595)
Net OPEB liability	-	-	-	(205,069)
<b>Net position (Exhibit A)</b>	<b>\$ 13,536,425</b>	<b>238,648</b>	<b>1,749,486</b>	<b>(5,566,494)</b>

**GILBERT COMMUNITY SCHOOL DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 10,046,975	466,518	10,513,493	11,528,755	11,528,755	(1,015,262)
State sources	8,900,671	4,773	8,905,444	9,540,307	9,540,307	(634,863)
Federal sources	249,270	169,911	419,181	555,000	555,000	(135,819)
Total revenues	19,196,916	641,202	19,838,118	21,624,062	21,624,062	(1,785,944)
Expenditures/expenses:						
Instruction	10,936,036	-	10,936,036	12,254,921	12,254,921	1,318,885
Support services	4,279,991	4,845	4,284,836	4,907,923	4,907,923	623,087
Non-instructional programs	1,120	663,598	664,718	787,000	787,000	122,282
Other expenditures	3,286,425	-	3,286,425	4,827,799	4,827,799	1,541,374
Total expenditures/expenses	18,503,572	668,443	19,172,015	22,777,643	22,777,643	3,605,628
Excess(Deficiency) of revenues over(under) expenditures/expenses	693,344	(27,241)	666,103	(1,153,581)	(1,153,581)	1,819,684
Other financing sources, net	-	5,205	5,205	-	-	5,205
Excess(Deficiency) of revenues and other financing sources over (under) expenditures/expenses	693,344	(22,036)	671,308	(1,153,581)	(1,153,581)	1,824,889
Balances beginning of year	4,652,051	96,445	4,748,496	2,323,489	2,323,489	2,425,007
Balances end of year	\$ 5,345,395	74,409	5,419,804	1,169,908	1,169,908	4,249,896

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GILBERT 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 comparison for the General Fund and each major Special Revenue Fund.

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

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

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

	2016	2015
District's proportion of the net pension liability	0.130878%	0.130115%
District's proportionate share of the net pension liability	\$ 6,465,981	5,160,235
District's covered-employee payroll	\$ 8,966,294	8,514,166
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.11%	60.61%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution	\$ 669,103	800,690	760,315	681,962	581,166	472,334	439,866	405,920	349,774	308,073
Contributions in relation to the statutorily required contribution	\$ (669,103)	(800,690)	(760,315)	(681,962)	(581,166)	(472,334)	(439,866)	(405,920)	(349,774)	(308,073)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 7,492,755	8,966,294	8,514,166	7,865,767	7,201,561	6,796,173	6,329,007	6,392,441	5,781,388	5,357,791
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

*Changes of benefit terms:*

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% 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.



GILBERT COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2016

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	\$ -	\$ 290,530	\$ 290,530	0.00%	\$ 6,318,704	4.60%
2011	July 1, 2009	-	276,858	276,858	0.00%	4,169,329	6.64%
2012	July 1, 2009	-	256,467	256,467	0.00%	4,452,792	5.76%
2013	July 1, 2012	-	273,248	273,248	0.00%	4,882,498	5.60%
2014	July 1, 2012	-	253,983	253,983	0.00%	4,974,343	5.11%
2015	July 1, 2012	-	245,456	245,456	0.00%	5,384,414	4.56%
2016	July 1, 2015	-	349,325	349,325	0.00%	7,236,786	4.83%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**GILBERT COMMUNITY SCHOOL DISTRICT**

SUPPLEMENTARY INFORMATION

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

	Special Revenue		
	Student Activity	Manage- ment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 230,422	244,505	474,927
Receivables:			
Property tax:			
Delinquent	-	944	944
Succeeding year	-	350,001	350,001
<b>TOTAL ASSETS</b>	<b>\$ 230,422</b>	<b>595,450</b>	<b>825,872</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 29,343	-	29,343
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	-	350,001	350,001
Fund balances:			
Restricted for:			
Management levy purposes	-	245,449	245,449
Student activities	201,674	-	201,674
Unassigned	(595)	-	(595)
Total fund balances	201,079	245,449	446,528
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 230,422</b>	<b>595,450</b>	<b>825,872</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Special Revenue		
	Student Activity	Management Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	300,301	300,301
Other	508,111	31,884	539,995
State sources	-	3,191	3,191
<b>TOTAL REVENUES</b>	<b>508,111</b>	<b>335,376</b>	<b>843,487</b>
EXPENDITURES:			
Current:			
Instruction:			
Regular	-	158,077	158,077
Other	456,514	-	456,514
Support services:			
Administration	-	21,960	21,960
Operation and maintenance of plant	-	232,157	232,157
Transportation	-	46,903	46,903
Non-instructional programs:			
Food service operations	-	1,120	1,120
<b>TOTAL EXPENDITURES</b>	<b>456,514</b>	<b>460,217</b>	<b>916,731</b>
Change in fund balances	51,597	(124,841)	(73,244)
Fund balances beginning of year	149,482	370,290	519,772
Fund balances end of year	\$ 201,079	245,449	446,528

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,374,763	753,192	2,127,955
Receivables:			
Property tax:			
Delinquent	-	2,271	2,271
Succeeding year	-	771,030	771,030
Due from other governments	210,740	-	210,740
<b>TOTAL ASSETS</b>	<b>\$ 1,585,503</b>	<b>1,526,493</b>	<b>3,111,996</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	27,038	27,038
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	-	771,030	771,030
Fund balances:			
Restricted for:			
School infrastructure	1,585,503	-	1,585,503
Physical plant and equipment	-	728,425	728,425
Total fund balances	1,585,503	728,425	2,313,928
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,585,503</b>	<b>1,526,493</b>	<b>3,111,996</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>REVENUES:</b>			
Local sources:			
Local tax	\$ -	723,271	723,271
Other	2,212	81,250	83,462
State sources	1,282,579	7,880	1,290,459
<b>TOTAL REVENUES</b>	<b>1,284,791</b>	<b>812,401</b>	<b>2,097,192</b>
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular	-	249,332	249,332
Other	-	14,096	14,096
Support services:			
Instructional staff	-	96,962	96,962
Administration	-	42,100	42,100
Operation and maintenance of plant	-	25,257	25,257
Transportation	-	41,355	41,355
Capital outlay	-	235,173	235,173
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>704,275</b>	<b>704,275</b>
Excess of revenues over expenditures	1,284,791	108,126	1,392,917
Other financing uses:			
Transfer out	(943,605)	-	(943,605)
Change in fund balances	341,186	108,126	449,312
Fund balances beginning of year	1,244,317	620,299	1,864,616
Fund balances end of year	<b>\$ 1,585,503</b>	<b>728,425</b>	<b>2,313,928</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 DEBT SERVICE FUND ACCOUNTS  
 JUNE 30, 2016

	Debt Service		
	Debt Service	Debt Sinking	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 63,545	1,867,695	1,931,240
Receivables:			
Property tax:			
Delinquent	5,040	-	5,040
Succeeding year	1,601,143	-	1,601,143
<b>TOTAL ASSETS</b>	<b>\$ 1,669,728</b>	<b>1,867,695</b>	<b>3,537,423</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities	-	-	-
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	1,601,143	-	1,601,143
Fund balances:			
Restricted for:			
Debt service	68,585	1,867,695	1,936,280
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,669,728</b>	<b>1,867,695</b>	<b>3,537,423</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT



GILBERT COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 DEBT SERVICE FUND ACCOUNTS  
 YEAR ENDED JUNE 30, 2016

	Debt Service		
	Debt Service	Debt Sinking	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,603,598	-	1,603,598
Other	2,045	4,866	6,911
State sources	16,655	-	16,655
<b>TOTAL REVENUES</b>	<b>1,622,298</b>	<b>4,866</b>	<b>1,627,164</b>
EXPENDITURES:			
Long-term debt:			
Principal	1,040,000	645,000	1,685,000
Interest and fiscal charges	535,834	290,243	826,077
<b>TOTAL EXPENDITURES</b>	<b>1,575,834</b>	<b>935,243</b>	<b>2,511,077</b>
Excess(Deficiency) of revenues over(under) expenditures	46,464	(930,377)	(883,913)
Other financing sources:			
Transfer in	-	943,605	943,605
Change in fund balances	46,464	13,228	59,692
Fund balances beginning of year	22,121	1,854,467	1,876,588
Fund balances end of year	\$ 68,585	1,867,695	1,936,280

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<b><u>Elementary</u></b>				
GESS	\$ 25,191	52,406	41,604	35,993
Elementary Health Club	767	4	169	602
Elementary Student Activity	564	644	630	578
Student Script	3,915	78,556	78,969	3,502
	<u>30,437</u>	<u>131,610</u>	<u>121,372</u>	<u>40,675</u>
<b><u>Music</u></b>				
Instrumental Music	5,643	20,285	18,410	7,518
Band/Vocal Travel	1,106	3	679	430
MS Band	61	705	611	155
Vocal Music	3,074	5,679	5,733	3,020
	<u>9,884</u>	<u>26,672</u>	<u>25,433</u>	<u>11,123</u>
<b><u>Miscellaneous</u></b>				
Adult Education	846	5	-	851
Backpack buddies	-	937	345	592
Athletic boosters	-	30,373	30,373	-
GEF	-	1,063	1,658	(595)
General Activity	7,814	102	55	7,861
	<u>8,660</u>	<u>32,480</u>	<u>32,431</u>	<u>8,709</u>
<b><u>Athletics</u></b>				
General Athletics	58	176,526	141,378	35,206
Football Camp	4,111	5,255	1,697	7,669
Wrestling Camp	378	2	-	380
Cross Country Camp	748	2,872	2,948	672
Boys Basketball Camp	3,648	1,448	1,551	3,545
Volleyball Camp	2,375	3,362	1,326	4,411
Cheer Camp	612	4	-	616
	<u>11,930</u>	<u>189,469</u>	<u>148,900</u>	<u>52,499</u>
<b><u>Classes</u></b>				
Alumni	2,013	12	-	2,025
Class of 2016	4,506	1,544	5,535	515
Class of 2017	-	11,161	6,368	4,793
	<u>6,519</u>	<u>12,717</u>	<u>11,903</u>	<u>7,333</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

Account	Balance End of Year	Revenues	Expendi- tures	Balance End of Year
<b><u>Athletic support</u></b>				
Cheerleading MS I	13	-	13	-
Cheerleading HS II	2,093	5,173	6,707	559
Fitness Club	154	1	-	155
Cheer-HS Basketball	949	2,072	1,611	1,410
Cheer-HS Football	1,281	1,020	728	1,573
Cheer-HS Wrestling	-	952	952	-
	4,490	9,218	10,011	3,697
<b><u>HS clubs/organizations</u></b>				
Yearbook	6,885	19,703	18,947	7,641
Business Club	784	3,264	801	3,247
Drama	3,299	4,476	5,827	1,948
After Prom	6,781	6,631	7,076	6,336
FCCLA	7,879	13,688	15,057	6,510
History Club	359	3	-	362
HS Student Council	1,663	5,631	4,958	2,336
MOC	50	-	-	50
Spanish Club	2,850	1,091	-	3,941
Art Club	513	1,601	1,609	505
Secondary Student Pop	1,087	224	1,146	165
Industrial Education Projects	39	2,279	2,116	202
Agriculture Education	1,842	2,514	4,356	-
Science Club	9	-	-	9
FFA	33,401	27,586	29,860	31,127
Dance	-	1,787	713	1,074
Flight Club	151	1	-	152
Student Activity	579	496	960	115
	68,171	90,975	93,426	65,720
<b><u>Middle school</u></b>				
MS 6th Grade Carnival	847	-	847	-
MS Special Olympics	60	1	-	61
MS Musical	1,836	2,680	2,017	2,499
MS 5th Grade Activity	10	-	10	-
MS Student Activity	1,473	2,871	1,973	2,371
MS Guidance	81	-	-	81
MS Yearbook	3,149	3,460	2,722	3,887
MS Student Pop	106	103	111	98
MS Student Council	1,699	5,434	4,939	2,194
	9,261	14,549	12,619	11,191
<b><u>Intermediate school</u></b>				
Student Activity	130	421	419	132
Totals	\$ 149,482	508,111	456,514	201,079

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Local sources:										
Local tax	\$ 7,694,989	7,069,952	6,741,390	7,912,239	8,026,253	7,422,490	6,852,662	6,296,974	5,978,989	5,752,840
Tuition	1,364,329	1,325,907	1,334,353	1,256,164	1,276,564	1,308,836	1,212,944	1,117,011	1,069,366	833,141
Other	987,657	863,692	1,229,704	865,195	868,275	790,325	895,485	1,120,873	1,096,214	903,823
State sources	8,900,671	8,775,107	7,868,719	6,349,315	5,922,163	5,371,584	4,712,487	5,290,618	5,045,511	4,830,135
Federal sources	249,270	424,416	235,610	780,272	346,652	624,365	934,307	379,014	181,856	192,299
<b>Total</b>	<b>\$ 19,196,916</b>	<b>18,459,074</b>	<b>17,409,776</b>	<b>17,163,185</b>	<b>16,439,907</b>	<b>15,517,600</b>	<b>14,607,885</b>	<b>14,204,490</b>	<b>13,371,936</b>	<b>12,512,238</b>
Expenditures:										
Instruction:										
Regular	\$ 7,429,364	6,711,513	6,781,612	6,371,385	6,027,763	5,580,872	5,183,859	5,236,232	4,874,038	4,689,576
Special	1,588,213	1,225,019	1,387,866	1,297,830	1,241,428	1,377,017	1,301,969	1,329,561	1,189,439	1,197,259
Other	1,918,459	2,193,111	2,213,468	2,022,284	2,041,010	1,919,858	1,898,309	1,705,012	1,409,132	852,669
Support services:										
Student	382,889	443,744	431,759	326,177	229,282	155,810	155,266	146,556	133,394	127,416
Instructional staff	444,596	884,626	475,453	465,600	403,903	376,610	383,309	363,677	352,823	396,916
Administration	1,479,463	1,491,807	1,501,623	1,377,253	1,228,173	1,052,647	1,034,447	1,047,041	1,021,126	913,903
Operation and maintenance of plant	1,421,340	1,212,276	1,227,890	889,921	823,255	828,007	837,633	826,804	796,851	696,035
Transportation	551,703	639,385	668,288	701,188	576,238	560,077	485,482	482,829	542,904	477,046
Non-instructional programs:										
Food service operations	1,120	368	1,000	1,277	-	11,327	11,258	10,212	-	-
Community service operations	-	-	50	33	-	41	692	4,194	4,420	5,501
Capital outlay	235,173	754,601	10,205,067	16,526,076	6,294,207	1,442,205	451,456	314,137	360,156	2,171,839
Long term debt:										
Principal	1,685,000	1,685,000	6,870,000	825,000	2,405,000	920,000	890,000	850,000	973,356	896,924
Interest and fiscal charges	826,077	907,978	1,010,286	847,170	615,876	403,756	435,329	467,584	501,990	534,019
Other expenditures:										
AEA flow-through	540,175	526,962	493,400	460,602	426,301	445,562	432,541	380,378	351,079	332,307
<b>Total</b>	<b>\$ 18,503,572</b>	<b>18,676,390</b>	<b>33,267,762</b>	<b>32,111,796</b>	<b>22,312,436</b>	<b>15,073,789</b>	<b>13,501,550</b>	<b>13,164,217</b>	<b>12,510,708</b>	<b>13,291,410</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

**To the Board of Education of Gilbert Community School District:**

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Gilbert Community School District as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 1, 2017.

**Internal Control Over Financial Reporting**

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

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

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

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

## **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## **Gilbert Community School District's Responses to Findings**

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

## **Purpose of this Report**

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

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 1, 2017  
Newton, Iowa

GILBERT COMMUNITY SCHOOL DISTRICT  
SCHEDULED OF FINDINGS  
YEAR ENDED JUNE 30, 2016

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-16 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over one or more of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Inventories - ordering, receiving, issuing and storing.
- 3) Capital assets - purchasing, recording and reconciling.
- 4) Payroll - recordkeeping, preparation.
- 5) Computer systems - performing all general accounting functions and controlling all data input and output.
- 6) Journal entries - writing, posting and approving.

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

Response - The District will continue to look at best practices for internal controls to be used for the District. We will utilize all office employees when possible to achieve this.

Conclusion - Response accepted.

I-B-16 Purchase Orders - We noted during our audit several instances of purchase orders dated after the ordering of goods/services had already taken place and also noted transactions that lacked purchase orders all together.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The District will continue to educate and train employees on the proper use of a purchase order system, which requires a purchase order before a purchase is made.

Conclusion - Response accepted.

GILBERT COMMUNITY SCHOOL DISTRICT  
SCHEDULED OF FINDINGS  
YEAR ENDED JUNE 30, 2016

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-16 Certified Budget - District expenditures for the year ended June 30, 2016, did not exceed the amounts budgeted.

II-B-16 Questionable Disbursements - During our audit we noted instances of purchases that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979. More specific examples are as follows:

**Sales Tax:** We noted instances of the District paying sales tax on credit card purchases. The District is a tax exempt entity and should not be paying sales tax.

Recommendation - The District should review its procedures to ensure that all purchases meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Response - The District will educate the administrators to not purchase on websites that charge sales tax with credit card purchases.

Conclusion - Response accepted.

**Coaches Apparel:** We noted during our audit that the District purchased clothing for coaches out of the Special Revenue, Student Activity Fund. Article III, Section 31 of the Constitution of the State of Iowa requires that public funds may only be spent for the public benefit. Since Student Activity Funds are "public funds" the District must determine the propriety and document the public purpose and public benefit to be derived.

Recommendation - The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval. The District may wish to refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups.

Response - The District will educate the Student Activity Fund Sponsors and Coaches about purchases that meet and don't meet public purpose.

Conclusion - Response accepted.

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 - The following business transactions between the District and District employees were noted.



Name, Title and Business Connection	Transaction Description	Amount
Melody Clouser, Kitchen Staff Spouse owns Clouser Plumbing	Purchased services	\$1,856
Nancy Nelson, Para Spouse owns Central State Roofing	Purchased services	\$770

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with relatives of District employees or officials do not appear to represent a conflict of interest.

- 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 that the coverage is adequate for current operations.
- II-F-16 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-16 Certified Enrollment - No variance regarding the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-16 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-16 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-16 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in amounts reports.
- II-K-16 Categorical Funding - No instances of categorical funding being used to supplant rather than supplement other funds were noted. We did note that the District had a carryover balance of \$71,539 in the Teacher Salary Supplement. Per guidance from the Iowa Department of Education the Teacher Salary Supplement should be fully expended in the fiscal year for which it is allocated.

Recommendation - The District should review its procedures to ensure compliance with guidance from the Iowa Department of Education.

Response - The District paid out the \$71,539 carryover balance to certified teachers with the November 2016 payroll.

Conclusion - Response accepted.

- II-L-16 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue.

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

Beginning Balance		\$	1,244,317
Revenues/transfer in:			
Sales tax revenues	\$	1,282,579	
Other local revenues		2,212	1,284,791
		<u>          </u>	<u>2,529,108</u>
Transfer to other funds:			
Debt service fund	\$	943,605	943,605
		<u>          </u>	<u>          </u>
Ending Balance		\$	<u>1,585,503</u>

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

II-M-16 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. However we noted the District is maintaining accounts for GESS, Business Club, Adult Education and Alumni in the Student Activity Fund. These accounts do not appear to be related to the cocurricular and extracurricular activities of the District

Recommendation - The accounts should be reviewed for propriety and if they are not related to the cocurricular and extracurricular activities of the District, the accounts should be either transferred or reallocated within the Student Activity Fund at the discretion of the Board of Education.

Response - The District Board of Directors reviewed the Student Activity Fund accounts and reallocated funds.

Conclusion - Response accepted.

II-N-16 Student Activity Fundraising Procedures - We noted during the audit that the District conducts fundraisers to help defray the costs to students for activity club trips. However, individual students appear to be given accounts tracking how much each student has raised individually. Each student appears to be required to pay the difference between the cost of the trip and the money raised by the student. This does not appear to ensure equitable participation in fundraising benefits for the students of activity groups as defined in Chapter 9 of the Uniform Accounting Procedure Manual.

Recommendation - According to Chapter 9 of the Uniform Procedure Manual, all members of a student activity group must have equitable opportunity to participate in the benefits offered by the group. Suggested criterion (in addition to fundraising) that may be used by the District for the distribution of fundraised dollars includes the following:

- a. Years of membership in the group;
- b. Positions of leadership or responsibility held in the group;
- c. Attendance at meetings or functions of the group;

d. General conduct (or misconduct).

All criteria for participation in a benefit offered to some, but not all, members of the group must be approved by the local school board. These benefits may be defined locally, but must include attendance at any state-level or national-level conferences, as well as all other activities that are not available to all student members of the group because of cost restrictions.

Notice of all criteria for participation is a benefit offered to some, but not all, members of the group must be provided to the members at the start of each school year.

If fundraising is used by an activity group, a community service alternative must be offered to members who cannot or will not undertake the fundraising activity. The alternative project must be safe, available to any member, and must earn the student as much "credit" as would the fundraising. (For instance, if the alternative activity is picking up trash on school grounds, the students must be informed that "X" hours of the activity is the equivalent of selling "X" dollars' worth of the goods or services being sold.) Make sure that the alternative is not punitive in nature.

The District should also give thoughtful consideration to allocation of a percentage of all funds raised to a common pot. Again, the amount credited may not be given to the student, but is used to fund participation of that student in an approved event.

The District should follow the suggested criteria from Chapter 9 of the Uniform Procedure Manual for fundraising in the Student Activity Fund and include all fundraised money in a common pot to defray costs of the trip for each student.

Response - The District is currently working with the Gilbert Education Foundation and the Gilbert Fine Arts Boosters to take over the SCRIP program as of 7/1/2017. If neither group takes the SCRIP program - the District will run the SCRIP program and all of the proceeds will go to the overall program with no "keeping score" on an individual basis.

Conclusion - Response accepted.

II-O-16 Financial Condition - The District had deficit unassigned fund balance of \$595 in the Student Activity Fund, deficit unrestricted net position of \$168,333 in the Enterprise, School Nutrition Fund and deficit unrestricted net position of \$5,566,494 in its governmental activities at June 30, 2016. The primary reason for these deficit net positions is due to the effect of GASB Statements No. 68 and No. 71.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change and how GASB Statements No. 68 and No. 71 will affect the District's financials moving forward. The District should review their procedures with regards to account balances in the Student Activity Fund. The District may want to require additional administrative approval of purchase orders for accounts that are negative. The District should also distribute a detailed monthly financial report to the sponsor responsible for each club/organization. The sponsor should have a budget for the club/organization and should be accountable for the balance.

Response - The District will ensure all coaches and sponsors have a monthly financial report and stay within their budget. The District will work with the administration and the Board of Education on the effects of GASB statements No. 68 and No.71.

Conclusion - Response accepted.

II-P-16 Employee Purchasing - We noted during our audit that District was allowing District employees to place orders from a District vendor, the District would then pay the vendor and the employees would reimburse the District. This practice allows the employee to have the District pay for the shipping and depending upon purchases would enable the employee to avoid payment of sales tax

Recommendation - The District should review its policies and procedures involving ordering of supplies. If employees wish to purchase from District vendors, a better alternative would be to have the employee contact the vendor and set up a separate account for the purchase and payment of orders.

Response - The District has requested the vendors set up employee accounts and have been advised not to run employee purchases through the school account.

Conclusion - Response accepted.