

GILBERT COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2017

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		4-5
Management's Discussion and Analysis		7-16
Basic Financial Statements:	<u>Exhibit</u>	
<i>Government-wide Financial Statements:</i>		
Statement of Net Position	A	18
Statement of Activities	B	19
<i>Governmental Fund Financial Statements:</i>		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
<i>Proprietary Fund Financial Statements:</i>		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Notes to Financial Statements		27-41
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		44
Notes to Required Supplementary Information - Budgetary Reporting		45
Schedule of the District's Proportionate Share of the Net Pension Liability		46
Schedule of District Contributions		47
Notes to Required Supplementary Information - Pension Liability		48
Schedule of Funding Progress for the Retiree Health Plan		49
Supplementary Information:	<u>Schedule</u>	
<i>Nonmajor Governmental Funds:</i>		
Combining Balance Sheet	1	52
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	53
<i>Capital Projects Fund Accounts:</i>		
Combining Balance Sheet	3	54
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	55
<i>Debt Service Fund Accounts:</i>		
Combining Balance Sheet	5	56
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	6	57
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	7	58-59
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	8	60
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 <u>Government Auditing Standards</u>		61-62
Schedule of Findings		63-65

Gilbert Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
John Nelson	President	2017
Sean Barber	Vice President	2017
Brian Anderson	Board Member	2019
Kim Mosiman	Board Member	2019
Tyler Holck	Board Member	2019
School Officials		
Lindsey Beecher	Superintendent	2017
Gail Hopkins	Board Secretary/Treasurer and Business Manager	2017
Ahlers & Cooney, P.C.	Attorney	2017

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of 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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 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, 2016 (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 5, 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 5, 2017
Newton, Iowa

GILBERT COMMUNITY SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2017. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$14,629,073 in fiscal year 2016 to \$16,260,288 in fiscal year 2017, while General Fund expenditures increased from \$14,371,489 in fiscal year 2016 to \$15,341,946 in fiscal year 2017. The District's General Fund balance increased from \$648,659 at June 30, 2016 to \$1,567,001 at June 30, 2017, a 141.58% increase from the prior year.
- The increase in General Fund revenues was mostly attributable to increased local tax revenues received as compared to the prior year. The increase in expenditures was due primarily to an increase in regular 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.

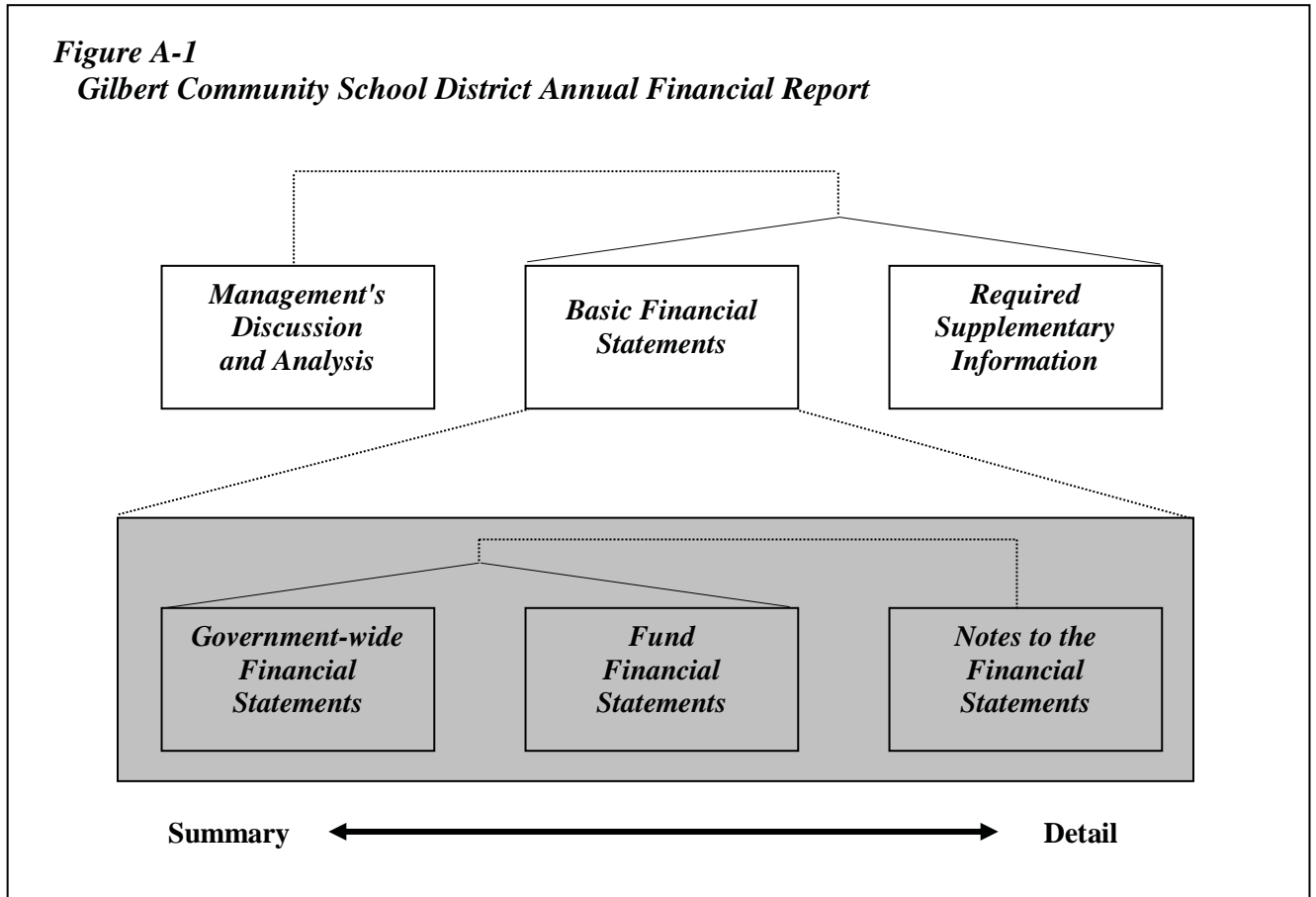


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-Wide and Fund Financial Statements			
	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"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows
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.

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, 2017 compared to June 30, 2016.

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,
	2017	2016	2017	2016	2017	2016	2016-17
Current and other assets	\$ 18,691,484	16,003,292	92,259	52,551	18,783,743	16,055,843	16.99%
Capital assets	42,444,635	43,496,425	208,193	242,742	42,652,828	43,739,167	-2.48%
Total assets	61,136,119	59,499,717	300,452	295,293	61,436,571	59,795,010	2.75%
Deferred outflows of resources	2,103,359	1,234,567	44,657	29,728	2,148,016	1,264,295	69.90%
Long-term liabilities	34,899,808	36,482,555	171,085	166,203	35,070,893	36,648,758	-4.31%
Other liabilities	2,953,961	2,108,572	64,457	69,330	3,018,418	2,177,902	38.59%
Total liabilities	37,853,769	38,591,127	235,542	235,533	38,089,311	38,826,660	-1.90%
Deferred inflows of resources	10,343,398	9,259,179	25,670	15,079	10,369,068	9,274,258	11.80%
Net position:							
Net investment in capital assets	14,209,635	13,536,425	208,193	242,742	14,417,828	13,779,167	4.63%
Restricted	5,394,296	4,914,047	-	-	5,394,296	4,914,047	9.77%
Unrestricted	(4,561,620)	(5,566,494)	(124,296)	(168,333)	(4,685,916)	(5,734,827)	18.29%
Total net position	\$ 15,042,311	12,883,978	83,897	74,409	15,126,208	12,958,387	16.73%

The District's combined net position increased by 16.73%, or \$2,167,821, 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 9.77%, or \$480,249, 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 18.29%, or \$1,048,911, 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, 2017 compared to the year ended June 30, 2016.

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2017	2016	2017	2015	2017	2016	2016-17
Program revenues:							
Charges for service	\$ 2,050,569	1,963,876	496,245	462,986	2,546,814	2,426,862	4.94%
Operating grants, contributions and restricted interest	1,233,668	1,033,016	184,545	174,684	1,418,213	1,207,700	17.43%
Capital grants, contributions and restricted interest	29,749	57,035	-	-	29,749	57,035	-47.84%
General revenues:							
Property tax	8,780,836	7,694,989	-	-	8,780,836	7,694,989	14.11%
Statewide sales, services and use tax	1,330,037	1,282,579	-	-	1,330,037	1,282,579	3.70%
Unrestricted state grants	7,358,588	6,911,210	-	-	7,358,588	6,911,210	6.47%
Unrestricted interest	15,366	30,430	160	205	15,526	30,635	-49.32%
Other	96,178	223,781	13,688	3,327	109,866	227,108	-51.62%
Total revenues	<u>20,894,991</u>	<u>19,196,916</u>	<u>694,638</u>	<u>641,202</u>	<u>21,589,629</u>	<u>19,838,118</u>	<u>8.83%</u>
Program expenses:							
Instruction	12,194,993	10,804,087	-	-	12,194,993	10,804,087	12.87%
Support services	4,124,912	4,439,785	-	4,845	4,124,912	4,444,630	-7.19%
Non-instructional programs	3,145	1,120	685,150	663,598	688,295	664,718	3.55%
Other expenses	2,413,608	2,382,591	-	-	2,413,608	2,382,591	1.30%
Total expenses	<u>18,736,658</u>	<u>17,627,583</u>	<u>685,150</u>	<u>668,443</u>	<u>19,421,808</u>	<u>18,296,026</u>	<u>6.15%</u>
Excess(Deficiency) of revenues over(under) expenses	2,158,333	1,569,333	9,488	(27,241)	2,167,821	1,542,092	40.58%
Transfers	-	(5,205)	-	5,205	-	-	0.00%
Change in net position	2,158,333	1,564,128	9,488	(22,036)	2,167,821	1,542,092	40.58%
Net position beginning 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>
Net position end of year	<u>\$ 15,042,311</u>	<u>12,883,978</u>	<u>83,897</u>	<u>74,409</u>	<u>15,126,208</u>	<u>12,958,387</u>	<u>16.73%</u>

In fiscal year 2017, property tax and unrestricted state grants accounted for 77.24% of the revenue from governmental activities while charges for service and operating grants and contributions account for 98.01% of the revenue from business type activities.

The District's total revenues were \$21,589,629 of which \$20,894,991 was for governmental activities and \$694,638 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 8.83% increase in revenues and a 6.15% increase in expenses. The increase in revenues was primarily due to an increase in property tax revenues received compared to the prior year while the increase in expenses was primarily due to an increase in expenditures in the instruction function as compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$20,894,991 and expenses were \$18,736,658 for the year ended June 30, 2017.

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, 2017 compared to June 30, 2016.

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2017	2016	Change 2016-17	2017	2016	Change 2016-17
Instruction	\$ 12,194,993	10,804,087	12.87%	9,504,484	8,326,166	14.15%
Support services	4,124,912	4,439,785	-7.09%	4,071,744	4,403,954	-7.54%
Non-instructional programs	3,145	1,120	180.80%	3,145	1,120	180.80%
Other expenses	2,413,608	2,382,591	1.30%	1,843,299	1,842,416	0.05%
Totals	\$ 18,736,658	17,627,583	6.29%	15,422,672	14,573,656	5.83%

For the year ended June 30, 2017:

- The cost financed by users of the District’s programs was \$2,050,569.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$1,263,417.
- The net cost of governmental activities was financed with \$8,780,836 in property tax, \$1,330,037 in statewide sales, services and use tax, \$7,358,588 in unrestricted state grants, \$15,366 in interest income and \$96,178 in other general revenues.

Business Type Activities

Revenues of the District’s business type activities during the year ended June 30, 2017 were \$694,638 and expenses were \$685,150. 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 \$6,667,226, above last year’s ending fund balances of a \$5,345,395. The primary reason for the increase in combined fund balances at the end of fiscal year 2017 is the increase in the General 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 \$648,659 at June 30, 2016 to \$1,567,001 at June 30, 2017. 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 \$2,313,928 at June 30, 2016 to \$2,697,587 at June 30, 2017. 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 regular instruction expenditures incurred as compared to the prior year.
- The Debt Service Fund balance increased from \$1,936,280 at June 30, 2016 to \$1,955,604 at June 30, 2017. Revenues and expenditures did not vary significantly from the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$74,409 at June 30, 2016 to \$83,897 at June 30, 2017.

BUDGETARY HIGHLIGHTS

The District's revenues were \$1,238,363 less than budgeted revenues, a variance of 5.42%. The most significant variance resulted from the District receiving less from state 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.

In spite of the District's budgetary practice, expenditures in the instruction functional area exceeded the amount budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had invested \$42,652,828, 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 2.48% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,534,324.

The original cost of the District's capital assets was \$56,736,078. Governmental funds account for \$56,183,489 with the remainder of \$552,589 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 \$39,664,427 at June 30, 2017, compared to \$40,411,142 at June 30, 2016. The primary reason for this decrease is due to depreciation expense recognized during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2017	2016	2017	2016	2017	2016	2016-17
Land	\$ 1,146,053	1,146,053	-	-	1,146,053	1,146,053	0.00%
Intangibles	19,357	25,810	-	-	19,357	25,810	-25.00%
Buildings	39,664,427	40,411,142	-	-	39,664,427	40,411,142	-1.85%
Land improvements	890,809	938,197	-	-	890,809	938,197	-5.05%
Machinery and equipment	723,989	975,223	208,193	242,742	932,182	1,217,965	-23.46%
Total	\$ 42,444,635	43,496,425	208,193	242,742	42,652,828	43,739,167	-2.48%

Long-Term Debt

At June 30, 2017, the District had \$28,235,000 of total long-term debt outstanding. This represents a decrease of 5.76% 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 \$10,465,000 at June 30, 2017 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had outstanding general obligation bonded indebtedness of \$17,770,000 at June 30, 2017 payable from the Debt Service Fund.

Figure A-7
Outstanding Long-Term Obligations

	Total District		Total Change
	June 30,		June 30,
	2017	2016	2016-17
General obligation bonds	\$ 17,770,000	18,835,000	-5.65%
Revenue bonds	10,465,000	11,125,000	-5.93%
Totals	\$ 28,235,000	29,960,000	-5.76%

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 is the 8th fastest growing district in the state of Iowa. Gilbert CSD commissioned ISFIS to complete an enrollment projection study to be completed (September 2016). Taking into account birth rate, housing developments and other factors, they determined 1% - 1.5% annual growth. Looking at growth with a straight 3% annual growth, as seen over the past 10 years seems to be more aligned with what Gilbert Schools has seen and the rate that the school board agreed to move forward with for the Long-Range Planning.
- The board recognized continued enrollment growth and wanted to be sure Gilbert was in good standing to welcome the new students each year. So multiple committee meetings were held to gain insight from the community, parents and staff to determine what priorities needed to be addressed. A thorough evaluation

was completed by Haila Architecture in conjunction with KCL Engineering of all mechanical and electrical conditions at all 4 district buildings.

- On March 6, 2017, the Gilbert Board of Education approved a resolution to commission Haila Architecture to move forward to the next stage (Phase II) of exploratory planning for multiple projects in preparation for a future bond issue. Community Forums were held April 19, 26 & 29, 2017 to inform the staff and public on the district's building conditions, capacity/needs and achieving district priorities.
- Haila Architecture presented the final Phase I District Facility Study Plan to the District's Board on May 8, 2017.
- Again, 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 (2.5%), the District not having the appropriate supplemental state aid (2.25%) or funding to do so creates unique challenges for the District's cost structure and requires the District to come up with alternatives.

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, 2017

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 8,479,029	71,440	8,550,469
Receivables:			
Property tax:			
Delinquent	10,700	-	10,700
Succeeding year	9,248,098	-	9,248,098
Accounts	57,759	1,594	59,353
Due from other governments	895,898	-	895,898
Inventories	-	19,225	19,225
Capital assets not being depreciated:			
Land	1,146,053	-	1,146,053
Capital assets, net of accumulated depreciation			
Buildings and land improvements and machinery and equipment	41,298,582	208,193	41,506,775
TOTAL ASSETS	61,136,119	300,452	61,436,571
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	2,103,359	44,657	2,148,016
LIABILITIES			
Accounts payable	1,128,934	276	1,129,210
Salaries and benefits payable	1,647,226	38,899	1,686,125
Accrued interest payable	177,801	-	177,801
Unearned revenue	-	25,282	25,282
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	1,095,000	-	1,095,000
Revenue bonds payable	670,000	-	670,000
Portion due after one year:			
General obligation bonds payable	16,675,000	-	16,675,000
Revenue bonds payable	9,795,000	-	9,795,000
Net pension liability	6,413,075	157,696	6,570,771
Net OPEB liability	251,733	13,389	265,122
TOTAL LIABILITIES	37,853,769	235,542	38,089,311
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenues	9,248,098	-	9,248,098
Pension related deferred inflows	1,095,300	25,670	1,120,970
TOTAL DEFERRED INFLOWS OF RESOURCES	10,343,398	25,670	10,369,068
NET POSITION			
Net investment in capital assets	14,209,635	208,193	14,417,828
Restricted for:			
Categorical funding	471,872	-	471,872
Debt service	1,777,803	-	1,777,803
School infrastructure	1,978,732	-	1,978,732
Physical plant and equipment	718,855	-	718,855
Management levy	326,858	-	326,858
Student activities	120,176	-	120,176
Unrestricted	(4,561,620)	(124,296)	(4,685,916)
TOTAL NET POSITION	\$ 15,042,311	83,897	15,126,208

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 8,333,420	1,382,556	135,738	-	(6,815,126)	-	(6,815,126)
Special	1,751,701	225,338	193,907	-	(1,332,456)	-	(1,332,456)
Other	2,109,872	442,675	310,295	-	(1,356,902)	-	(1,356,902)
	12,194,993	2,050,569	639,940	-	(9,504,484)	-	(9,504,484)
Support services:							
Student	298,842	-	-	-	(298,842)	-	(298,842)
Instructional staff	211,423	-	3,435	-	(207,988)	-	(207,988)
Administration	1,575,272	-	-	-	(1,575,272)	-	(1,575,272)
Operation and maintenance of plant	1,405,293	-	-	29,749	(1,375,544)	-	(1,375,544)
Transportation	634,082	-	19,984	-	(614,098)	-	(614,098)
	4,124,912	-	23,419	29,749	(4,071,744)	-	(4,071,744)
Non-instructional programs:							
Food service operations	3,145	-	-	-	(3,145)	-	(3,145)
Long-term debt interest	810,593	-	-	-	(810,593)	-	(810,593)
Other expenses:							
AEA flowthrough	570,309	-	570,309	-	-	-	-
Depreciation(unallocated)*	1,032,706	-	-	-	(1,032,706)	-	(1,032,706)
	1,603,015	-	570,309	-	(1,032,706)	-	(1,032,706)
Total governmental activities	18,736,658	2,050,569	1,233,668	29,749	(15,422,672)	-	(15,422,672)
Business type activities:							
Non-instructional programs:							
Food service operations	685,150	496,245	184,545	-	-	(4,360)	(4,360)
Total business type activities	685,150	496,245	184,545	-	-	(4,360)	(4,360)
Total	\$ 19,421,808	2,546,814	1,418,213	29,749	(15,422,672)	(4,360)	(15,427,032)
General Revenues and Transfers:							
Property tax levied for:							
General purposes				\$ 6,399,330	-		6,399,330
Debt service				1,603,783	-		1,603,783
Capital outlay				777,723	-		777,723
Statewide sales, services and use tax				1,330,037	-		1,330,037
Unrestricted state grants				7,358,588	-		7,358,588
Unrestricted investment earnings				15,366	160		15,526
Other				96,178	13,688		109,866
Total general revenues and transfers				17,581,005	13,848		17,594,853
Change in net position				2,158,333	9,488		2,167,821
Net position beginning of year				12,883,978	74,409		12,958,387
Net position end of year				\$ 15,042,311	83,897		15,126,208

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 3,327,022	2,730,282	1,953,645	468,080	8,479,029
Receivables:					
Property tax:					
Delinquent	7,362	951	1,959	428	10,700
Succeeding year	6,000,004	816,927	1,981,168	449,999	9,248,098
Accounts	47,569	-	-	10,190	57,759
Due from other governments	785,156	110,742	-	-	895,898
TOTAL ASSETS	\$ 10,167,113	3,658,902	3,936,772	928,697	18,691,484
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 952,882	144,388	-	31,664	1,128,934
Salaries and benefits payable	1,647,226	-	-	-	1,647,226
Total liabilities	2,600,108	144,388	-	31,664	2,776,160
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	6,000,004	816,927	1,981,168	449,999	9,248,098
Fund balances:					
Restricted for:					
Categorical funding	471,872	-	-	-	471,872
Debt service	-	-	1,955,604	-	1,955,604
School infrastructure	-	1,978,732	-	-	1,978,732
Physical plant and equipment	-	718,855	-	-	718,855
Management levy purposes	-	-	-	326,858	326,858
Student activities	-	-	-	120,176	120,176
Unassigned:					
General	1,095,129	-	-	-	1,095,129
Student activities	-	-	-	-	-
Total fund balances	1,567,001	2,697,587	1,955,604	447,034	6,667,226
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 10,167,113	3,658,902	3,936,772	928,697	18,691,484

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2017

Total fund balances of governmental funds(page 20)	\$	6,667,226
 <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.		42,444,635
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.		(177,801)
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	\$ 2,103,359	
Deferred inflows of resources	<u>(1,095,300)</u>	1,008,059
Long-term liabilities, including general obligation bonds payable, revenue bonds 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>(34,899,808)</u>
Net position of governmental activities(page 18)	\$	<u><u>15,042,311</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 6,048,734	777,723	1,603,783	350,596	8,780,836
Tuition	1,477,959	-	-	-	1,477,959
Other	306,583	34,419	6,428	532,096	879,526
State sources	8,124,941	1,338,610	16,946	3,806	9,484,303
Federal sources	272,367	-	-	-	272,367
TOTAL REVENUES	16,230,584	2,150,752	1,627,157	886,498	20,894,991
EXPENDITURES:					
Current:					
Instruction:					
Regular	7,668,758	227,084	-	72,161	7,968,003
Special	1,566,734	-	-	-	1,566,734
Other	1,752,836	17,510	-	550,068	2,320,414
	10,988,328	244,594	-	622,229	11,855,151
Support services:					
Student	328,156	-	-	-	328,156
Instructional staff	384,906	85,764	-	-	470,670
Administration	1,485,432	44,655	-	24,513	1,554,600
Operation and maintenance of plant	1,115,271	126,741	-	162,610	1,404,622
Transportation	469,544	110,461	-	43,791	623,796
	3,783,309	367,621	-	230,914	4,381,844
Non-instructional programs:					
Food service operations	-	-	-	3,145	3,145
Capital outlay	-	218,125	-	-	218,125
Long-term debt:					
Principal	-	-	1,725,000	-	1,725,000
Interest and fiscal charges	-	-	819,586	-	819,586
	-	-	2,544,586	-	2,544,586
Other expenditures:					
AEA flowthrough	570,309	-	-	-	570,309
TOTAL EXPENDITURES	15,341,946	830,340	2,544,586	856,288	19,573,160
Excess(Deficiency) of revenues over(under) expenditures	888,638	1,320,412	(917,429)	30,210	1,321,831
Other financing sources(uses):					
Transfer in	29,704	-	936,753	-	966,457
Transfer out	-	(936,753)	-	(29,704)	(966,457)
Total other financing sources(uses)	29,704	(936,753)	936,753	(29,704)	-
Change in fund balances	918,342	383,659	19,324	506	1,321,831
Fund balances beginning of year	648,659	2,313,928	1,936,280	446,528	5,345,395
Fund balances end of year	\$ 1,567,001	2,697,587	1,955,604	447,034	6,667,226

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, 2017

Change in fund balances - total governmental funds(page 22) \$ 1,321,831

*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	\$ 445,290	
Depreciation expense	<u>(1,497,080)</u>	(1,051,790)

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: 1,725,000

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. 8,993

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. 807,266

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	6,801	
Pension expense	(613,104)	
Other postemployment benefits	<u>(46,664)</u>	<u>(652,967)</u>

Change in net position of governmental activities(page 19) \$ 2,158,333

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2017

	Enterprise School Nutrition
ASSETS	
Current assets:	
Cash and pooled investments	\$ 71,440
Accounts receivable	1,594
Inventories	19,225
Total current assets	92,259
Noncurrent assets:	
Capital assets, net of accumulated depreciation	208,193
TOTAL ASSETS	300,452
 DEFERRED INFLOWS OF RESOURCES	
Pension related deferred outflows	44,657
 LIABILITIES	
Current liabilities:	
Accounts payable	276
Salaries and benefits payable	38,899
Unearned revenues	25,282
Total current liabilities	64,457
Noncurrent liabilities:	
Net pension liability	157,696
Net OPEB liability	13,389
Total noncurrent liabilities	171,085
TOTAL LIABILITIES	235,542
 DEFERRED INFLOWS OF RESOURCES	
Pension related deferred outflows	25,670
 NET POSITION	
Net investment in capital assets	208,193
Unrestricted	(124,296)
TOTAL NET POSITION	\$ 83,897

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, 2017

	Enterprise School Nutrition
OPERATING REVENUES:	
Local sources:	
Charges for service	\$ 496,245
Miscellaneous	13,688
TOTAL OPERATING REVENUES	509,933
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	203,528
Benefits	60,553
Services	12,258
Supplies	370,567
Other	1,000
Depreciation	37,244
Total non-instructional programs	685,150
TOTAL OPERATING EXPENSES	685,150
OPERATING LOSS	(175,217)
NON-OPERATING REVENUES:	
Interest	160
State sources	5,149
Federal sources	179,396
TOTAL NON-OPERATING REVENUES	184,705
Change in net position	9,488
Net position beginning of year	74,409
Net position end of year	\$ 83,897

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2017

	Enterprise School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 498,178
Cash received from miscellaneous	13,688
Cash payments to employees for services	(265,989)
Cash payments to suppliers for goods or services	(336,901)
Net cash used in operating activities	(91,024)
Cash flows from non-capital financing activities:	
State grants received	5,149
Federal grants received	126,482
Net cash provided by non-capital financing activities	131,631
Cash flows from investing activities:	
Interest on investments	160
Cash flows from capital financing activities:	
Purchase of capital assets	(2,695)
Net increase in cash and pooled investments	38,072
Cash and pooled investments beginning of year	33,368
Cash and pooled investments end of year	\$ 71,440
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (175,217)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	52,914
Depreciation	37,244
Increase in inventories	(501)
Increase in accounts receivable	(1,135)
Decrease in accounts payable	(5,489)
Decrease in salaries and benefits payable	(2,452)
Increase in unearned revenue	3,068
Increase in net pension liability	2,400
Increase in deferred outflows of resources	(14,929)
Increase in deferred inflows of resources	10,591
Increase in other postemployment benefits	2,482
Net cash used in operating activities	\$ (91,024)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2017, the District received \$52,914 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

GILBERT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

(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 career and technical 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, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and

reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2016.

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 acquired after July 1, 1980 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. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position 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. During the year ended June 30, 2017, expenditures exceeded the amount budgeted in the instruction function.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2017 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, 2017, 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, 2017 is as follows:

Transfer to	Transfer from	Amount
General	Student Activity	\$ 29,704
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>936,753</u>
Total		<u>\$ 966,457</u>

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.

The transfers from the Student Activity Fund to the General Fund was to move accounts that were more appropriately recorded in the General Fund, as requested in the prior year's audit.

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 11,125,000	-	660,000	10,465,000	670,000
General obligation bonds	18,835,000	-	1,065,000	17,770,000	1,095,000
Termination benefits	6,801	16,404	23,205	-	-
Net pension liability	6,310,685	102,390	-	6,413,075	-
Net OPEB liability	205,069	52,727	6,063	251,733	-
Total	<u>\$ 36,482,555</u>	<u>171,521</u>	<u>1,754,268</u>	<u>34,899,808</u>	<u>1,765,000</u>
Business type activities:					
Net pension liability	\$ 155,296	2,400	-	157,696	-
Net OPEB liability	10,907	2,482	-	13,389	-
Total	<u>\$ 166,203</u>	<u>4,882</u>	<u>-</u>	<u>171,085</u>	<u>-</u>

General Obligation Bonds Payable

Details of the District's June 30, 2017 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
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	3.00	170,000	274,008		-	-
2023-2027	3.00-3.20	3,575,000	1,207,137		-	-
2028-2031	3.30-3.55	4,670,000	409,821		-	-
Total		\$ 9,010,000	3,032,596		\$ 375,000	11,151

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
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	2.00-3.00	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	2.00	185,000	121,475	2.00	415,000	6,250	770,000	401,733	1,171,733
2023-2027	2.00-2.50	775,000	553,525		-	-	4,350,000	1,760,662	6,110,662
2028-2032	2.50-3.00	1,975,000	469,463		-	-	6,645,000	879,284	7,524,284
2033	3.00	1,460,000	43,800		-	-	1,460,000	43,800	1,503,800
Total		\$ 4,765,000	1,696,926		\$ 3,620,000	197,450	\$ 17,770,000	4,938,123	22,708,123

Revenue Bonds Payable

Details of the District's June 30, 2017, 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
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	2.25	560,000	161,107	2.00	165,000	45,785	725,000	206,892	931,892
2023-2027	2.40-2.90	3,025,000	586,206	2.00-3.00	860,000	171,662	3,885,000	757,868	4,642,868
2028-2030	3.00-3.40	2,375,000	133,381	3.00-3.20	720,000	40,990	3,095,000	174,371	3,269,371
Total		\$ 7,895,000	1,636,799		\$ 2,570,000	475,327	10,465,000	2,112,126	12,577,126

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 70% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$12,577,126. For the current year, \$670,000 in principal and \$277,193 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,330,037.

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.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2017 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
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	48,174,516	216,409	-	48,390,925
Land improvements	1,749,781	22,194	-	1,771,975
Intangible assets	32,263	-	-	32,263
Machinery and equipment	4,681,586	206,687	46,000	4,842,273
Total capital assets being depreciated	54,638,146	445,290	46,000	55,037,436
Less accumulated depreciation for:				
Buildings	7,763,374	963,124	-	8,726,498
Land improvements	811,584	69,582	-	881,166
Intangible assets	6,453	6,453	-	12,906
Machinery and equipment	3,706,363	457,921	46,000	4,118,284
Total accumulated depreciation	12,287,774	1,497,080	46,000	13,738,854
Total capital assets being depreciated, net	42,350,372	(1,051,790)	-	41,298,582
Governmental activities capital assets, net	\$ 43,496,425	(1,051,790)	-	42,444,635
Business type activities:				
Machinery and equipment	\$ 549,894	2,695	-	552,589
Less accumulated depreciation	307,152	37,244	-	344,396
Business type activities capital assets	\$ 242,742	(34,549)	-	208,193

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:	
Regular	\$ 153,414
Special	2,716
Other	117,912
Support services:	
Instructional staff	24,750
Administration	20,483
Operation and maintenance of plant	28,839
Transportation	116,260
	<u>464,374</u>
Unallocated depreciation	<u>1,032,706</u>
	<u>\$ 1,497,080</u>

Business type activities:

Food service operations	<u>\$ 37,244</u>
-------------------------	------------------

(6) Pension Plan

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

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

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

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

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

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who

began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

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

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

In fiscal year 2017, 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, 2017 were \$823,573.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the District reported a liability of \$6,570,771 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the District's proportion was 0.104409%, which was a decrease of 0.026469% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017 the District recognized pension expense of \$627,473. At June 30, 2017, 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	\$ 58,073	78,419
Changes of assumptions	100,250	-
Net difference between projected and actual earnings on IPERS' investments	936,127	-
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	229,993	1,042,551
District contributions subsequent to the measurement date	823,573	-
Total	\$ 2,148,016	1,120,970

\$823,573 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, 2018. 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
2018	\$ (25,229)
2019	(25,229)
2020	296,532
2021	40,434
2022	<u>(83,035)</u>
	<u>\$ 203,473</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2016 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, 2016 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%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	<u>1</u>	(0.26)
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	\$ 10,630,618	6,570,771	3,144,207

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.

Payables to IPERS - At June 30, 2017, the District reported payables to IPERS of \$150,571 for legally required District contributions and \$100,324 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 Districts OPEB cost for the year ended June 30, 2017, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	64,943
Interest on net OPEB obligation		5,399
Adjustment to annual required contribution		(15,133)
Annual OPEB cost		<u>55,209</u>
Contributions made		(6,063)
Increase in net OPEB obligation		49,146
Net OPEB obligation beginning of year		<u>215,976</u>
Net OPEB obligation end of year	\$	<u><u>265,122</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, 2017.

For the year ended June 30, 2017, the District contributed \$6,063 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
2015	43,010	13.60%	167,265
2016	53,471	8.90%	215,976
2017	55,209	10.98%	265,122

Funded Status and Funding Progress - As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was \$339,911, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$339,911. The covered payroll (annual payroll of active employees covered by the plan) was \$5,783,063, and the ratio of the UAAL to covered payroll was 5.88%. As of June 30, 2017 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 \$570,309 for the year ended June 30, 2017 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District’s restricted balance for categorical funding at June 30, 2017 is comprised of the following programs:

Program	Amount
Four-year-old preschool state aid	\$ 63,848
Home school assistance program	157,944
Beginning teacher mentoring and induction program	14,971
Teacher salary supplement	24,974
Successful progression for early readers	16,183
Professional development for model core curriculum	33,774
Professional development	46,669
Teacher leadership state aid	113,509
Total	\$ 471,872

(11) New Accounting Pronouncement

The District adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about tax abatements of other entities which impact the District.

(12) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Tax Abatements of Other Entities

The District was not impacted by any tax abatements which meet the disclosure requirements of Governmental Accounting Standards Board Statement No. 77 for fiscal year 2017.

(13) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's other postemployment benefits.

(14) Reconciliation of Governmental Fund Balances to Net Position

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

	Net Investment in Capital Assets	Debt Service	Unassigned/ Unrestricted Balances
Fund balance (Exhibit C)	\$ -	1,955,604	1,095,129
Capital assets, net of accumulated depreciation	42,444,635	-	-
General obligation bond capitalized indebtedness	(17,770,000)	-	-
Revenue bond capitalized indebtedness	(10,465,000)	-	-
Accrued interest payable	-	(177,801)	-
Net pension liability	-	-	(6,413,075)
Pension related deferred outflows	-	-	2,103,359
Pension related deferred inflows	-	-	(1,095,300)
Net OPEB liability	-	-	(251,733)
Net position (Exhibit A)	\$ 14,209,635	1,777,803	(4,561,620)

(15) Budget Overexpenditure

Per Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2017, expenditures in the instruction function exceeded amounts budgeted.

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, 2017

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 11,138,321	510,093	11,648,414	11,906,844	11,906,844	(258,430)
Intermediate sources	-	-	-	100	100	(100)
State sources	9,484,303	5,149	9,489,452	10,366,048	10,366,048	(876,596)
Federal sources	272,367	179,396	451,763	555,000	555,000	(103,237)
Total revenues	20,894,991	694,638	21,589,629	22,827,992	22,827,992	(1,238,363)
Expenditures/expenses:						
Instruction	11,855,151	-	11,855,151	11,833,768	11,833,768	(21,383)
Support services	4,381,844	-	4,381,844	6,942,256	6,942,256	2,560,412
Non-instructional programs	3,145	685,150	688,295	739,947	739,947	51,652
Other expenditures	3,333,020	-	3,333,020	4,940,436	4,940,436	1,607,416
Total expenditures/expenses	19,573,160	685,150	20,258,310	24,456,407	24,456,407	4,198,097
Excess(Deficiency) of revenues over(under) expenditures/expenses	1,321,831	9,488	1,331,319	(1,628,415)	(1,628,415)	2,959,734
Other financing sources, net	-	-	-	(24,453)	(24,453)	24,453
Excess(Deficiency) of revenues and other financing sources over (under) expenditures/expenses	1,321,831	9,488	1,331,319	(1,652,868)	(1,652,868)	2,984,187
Balances beginning of year	5,345,395	74,409	5,419,804	4,068,569	4,068,569	1,351,235
Balances end of year	\$ 6,667,226	83,897	6,751,123	2,415,701	2,415,701	4,335,422

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GILBERT COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2017

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

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

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

During the year ended June 30, 2017, expenditures in the instruction function exceeded the amount budgeted.

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

	2017	2016	2015
District's proportion of the net pension liability	0.104409%	0.130878%	0.130115%
District's proportionate share of the net pension liability	\$ 6,570,771	6,465,981	5,160,235
District's covered-employee payroll	\$ 7,492,755	8,966,294	8,514,166
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.69%	72.11%	60.61%
IPERS' net position as a percentage of the total pension liability	81.82%	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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Statutorily required contribution	\$ 823,573	669,103	800,690	760,315	681,962	581,166	472,334	439,866	405,920	349,774
Contributions in relation to the statutorily required contribution	\$ (823,573)	(669,103)	(800,690)	(760,315)	(681,962)	(581,166)	(472,334)	(439,866)	(405,920)	(349,774)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 9,222,539	7,492,755	8,966,294	8,514,166	7,865,767	7,201,561	6,796,173	6,614,526	6,392,441	5,781,388
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GILBERT COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2017

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 (unfunded actuarial liability) 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.

GILBERT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017

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%
2017	July 1, 2015	-	339,911	339,911	0.00%	5,783,063	5.88%

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, 2017

	Special Revenue		
	Student Activity	Management Levy	Total
ASSETS			
Cash and pooled investments	\$ 141,650	326,430	468,080
Receivables:			
Property tax:			
Delinquent	-	428	428
Succeeding year	-	449,999	449,999
Accounts	10,190	-	10,190
TOTAL ASSETS	\$ 151,840	776,857	928,697
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 31,664	-	31,664
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	-	449,999	449,999
Fund balances:			
Restricted for:			
Management levy purposes	-	326,858	326,858
Student activities	120,176	-	120,176
Total fund balances	120,176	326,858	447,034
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 151,840	776,857	928,697

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, 2017

	Special Revenue		
	Student Activity	Management Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	350,596	350,596
Other	498,869	33,227	532,096
State sources	-	3,806	3,806
TOTAL REVENUES	498,869	387,629	886,498
EXPENDITURES:			
Current:			
Instruction:			
Regular	-	72,161	72,161
Other	550,068	-	550,068
Support services:			
Administration	-	24,513	24,513
Operation and maintenance of plant	-	162,610	162,610
Transportation	-	43,791	43,791
Non-instructional programs:			
Food service operations	-	3,145	3,145
TOTAL EXPENDITURES	550,068	306,220	856,288
Excess(deficiency) of revenues over(under) expenditures	(51,199)	81,409	30,210
Other financing uses:			
Transfers out	(29,704)	-	(29,704)
Change in fund balances	(80,903)	81,409	506
Fund balances beginning of year	201,079	245,449	446,528
Fund balances end of year	\$ 120,176	326,858	447,034

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND ACCOUNTS
 JUNE 30, 2017

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 1,867,990	862,292	2,730,282
Receivables:			
Property tax:			
Delinquent	-	951	951
Succeeding year	-	816,927	816,927
Due from other governments	110,742	-	110,742
TOTAL ASSETS	\$ 1,978,732	1,680,170	3,658,902
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	144,388	144,388
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	-	816,927	816,927
Fund balances:			
Restricted for:			
School infrastructure	1,978,732	-	1,978,732
Physical plant and equipment	-	718,855	718,855
Total fund balances	1,978,732	718,855	2,697,587
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,978,732	1,680,170	3,658,902

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, 2017

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	777,723	777,723
Other	945	33,474	34,419
State sources	1,330,037	8,573	1,338,610
TOTAL REVENUES	1,330,982	819,770	2,150,752
EXPENDITURES:			
Current:			
Instruction:			
Regular	-	227,084	227,084
Other	-	17,510	17,510
Support services:			
Instructional staff	-	85,764	85,764
Administration	1,000	43,655	44,655
Operation and maintenance of plant	-	126,741	126,741
Transportation	-	110,461	110,461
Capital outlay	-	218,125	218,125
TOTAL EXPENDITURES	1,000	829,340	830,340
Excess(deficiency) of revenues over(under) expenditures	1,329,982	(9,570)	1,320,412
Other financing uses:			
Transfer out	(936,753)	-	(936,753)
Change in fund balances	393,229	(9,570)	383,659
Fund balances beginning of year	1,585,503	728,425	2,313,928
Fund balances end of year	\$ 1,978,732	718,855	2,697,587

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 DEBT SERVICE FUND ACCOUNTS
 JUNE 30, 2017

	Debt Service		
	Debt Service	Debt Sinking	Total
ASSETS			
Cash and pooled investments	\$ 80,171	1,873,474	1,953,645
Receivables:			
Property tax:			
Delinquent	1,959	-	1,959
Succeeding year	1,981,168	-	1,981,168
TOTAL ASSETS	\$ 2,063,298	1,873,474	3,936,772
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	1,981,168	-	1,981,168
Fund balances:			
Restricted for:			
Debt service	82,130	1,873,474	1,955,604
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,063,298	1,873,474	3,936,772

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, 2017

	Debt Service		
	Debt Service	Debt Sinking	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,603,783	-	1,603,783
Other	209	6,219	6,428
State sources	16,946	-	16,946
TOTAL REVENUES	1,620,938	6,219	1,627,157
EXPENDITURES:			
Long-term debt:			
Principal	1,065,000	660,000	1,725,000
Interest and fiscal charges	542,393	277,193	819,586
TOTAL EXPENDITURES	1,607,393	937,193	2,544,586
Excess(Deficiency) of revenues over(under) expenditures	13,545	(930,974)	(917,429)
Other financing sources:			
Transfer in	-	936,753	936,753
Change in fund balances	13,545	5,779	19,324
Fund balances beginning of year	68,585	1,867,695	1,936,280
Fund balances end of year	\$ 82,130	1,873,474	1,955,604

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

GILBERT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2017

Account	Balance Beginning of Year	Revenues	Expendi- tures	Adjustments	Balance End of Year
<u>Elementary</u>					
GESS	\$ 35,993	29,821	39,357	(26,457)	-
Elementary Health Club	602	-	284	-	318
Elementary Student Activity	578	-	203	-	375
Student Script	3,502	77,989	81,491	-	-
	<u>40,675</u>	<u>107,810</u>	<u>121,335</u>	<u>(26,457)</u>	<u>693</u>
<u>Music</u>					
Instrumental Music	7,518	10,868	14,615	-	3,771
Band/Vocal Travel	430	-	25	-	405
MS Band	155	4,135	3,480	-	810
Vocal Music	3,020	4,290	5,211	-	2,099
	<u>11,123</u>	<u>19,293</u>	<u>23,331</u>	<u>-</u>	<u>7,085</u>
<u>Miscellaneous</u>					
Adult Education	851	-	-	(851)	-
Backpack buddies	592	1,715	397	-	1,910
Athletic boosters	-	42,470	42,470	-	-
Middle School - GEF	-	4,800	4,800	-	-
GEF	(595)	910	315	-	-
General Activity	7,861	302	467	-	7,696
	<u>8,709</u>	<u>50,197</u>	<u>48,449</u>	<u>(851)</u>	<u>9,606</u>
<u>Athletics</u>					
General Athletics	35,206	187,446	217,460	-	5,192
Boy's Soccer	-	2,095	-	-	2,095
Girl's Soccer	-	2,663	61	-	2,602
Baseball	-	792	-	-	792
Football Camp	7,669	2,485	8,546	-	1,608
Wrestling	-	2,000	-	-	2,000
Wrestling Camp	380	1,206	991	-	595
Cross Country Camp	672	5,617	5,393	-	896
Baseball Camp	-	2,266	895	-	1,371
Girls Basketball Camp	-	1,480	-	-	1,480
Boys Basketball Camp	3,545	270	-	-	3,815
Volleyball Camp	4,411	3,251	1,505	-	6,157
Cheer Camp	616	-	-	-	616
	<u>52,499</u>	<u>211,571</u>	<u>234,851</u>	<u>-</u>	<u>29,219</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

Account	Balance End of Year	Revenues	Expendi- tures	Adjustments	Balance End of Year
<u>Classes</u>					
Alumni	2,025	-	-	(2,025)	-
Class of 2016	515	-	-	(515)	-
Class of 2017	4,793	945	5,738	-	-
Class of 2018	-	3,988	3,874	-	114
	<u>7,333</u>	<u>4,933</u>	<u>9,612</u>	<u>(2,540)</u>	<u>114</u>
<u>Athletic support</u>					
Cheerleading MS I	-	-	-	13	13
Cheerleading HS II	559	-	-	(13)	546
Fitness Club	155	-	-	-	155
Cheer-HS Basketball	1,410	3,058	2,023	-	2,445
Cheer-HS Football	1,573	6,253	5,463	-	2,363
Cheer-HS Wrestling	-	1,468	1,447	-	21
	<u>3,697</u>	<u>10,779</u>	<u>8,933</u>	<u>-</u>	<u>5,543</u>
<u>HS clubs/organizations</u>					
Yearbook	7,641	19,949	7,300	-	20,290
Business Club	3,247	-	-	(3,247)	-
Drama	1,948	4,577	3,146	-	3,379
After Prom	6,336	6,090	8,221	-	4,205
FCCLA	6,510	15,890	17,396	-	5,004
History Club	362	-	-	-	362
HS Student Council	2,336	8,426	4,076	-	6,686
MOC	50	-	-	-	50
Spanish Club	3,941	162	1,217	-	2,886
Fine Arts Boosters	-	123	123	-	-
Art Club	505	3,588	4,093	-	-
Secondary Student Pop	165	-	-	-	165
National Honor Society	-	50	-	-	50
Industrial Education Projects	202	-	202	-	-
Agriculture Education	-	2,601	2,028	-	573
Science Club	9	-	-	-	9
FFA	31,127	17,632	39,793	-	8,966
Dance	1,074	1,759	930	-	1,903
Flight Club	152	-	-	-	152
Thespian Society	-	456	450	-	6
Student Activity	115	1,141	2,972	3,391	1,675
	<u>65,720</u>	<u>82,444</u>	<u>91,947</u>	<u>144</u>	<u>56,361</u>
<u>Middle school</u>					
MS Special Olympics	61	-	-	-	61
MS Musical	2,499	1,839	2,158	-	2,180
MS Student Activity	2,371	878	3,249	-	-
MS Guidance	81	-	-	-	81
MS FCCLA	-	391	391	-	-
MS Yearbook	3,887	4,933	-	-	8,820
MS Student Pop	98	-	98	-	-
MS Student Council	2,194	3,564	5,362	-	396
	<u>11,191</u>	<u>11,605</u>	<u>11,258</u>	<u>-</u>	<u>11,538</u>
<u>Intermediate school</u>					
Student Activity	132	237	352	-	17
Totals	<u>\$ 201,079</u>	<u>498,869</u>	<u>550,068</u>	<u>(29,704)</u>	<u>120,176</u>

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,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Local sources:										
Local tax	\$ 8,780,836	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
Tuition	1,477,959	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
Other	879,526	987,657	863,692	1,229,704	865,195	868,275	790,325	895,485	1,120,873	1,096,214
State sources	9,484,303	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
Federal sources	272,367	249,270	424,416	235,610	780,272	346,652	624,365	934,307	379,014	181,856
Total	\$ 20,894,991	19,196,916	18,459,074	17,409,776	17,163,185	16,439,907	15,517,600	14,607,885	14,204,490	13,371,936
Expenditures:										
Instruction:										
Regular	\$ 7,968,003	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
Special	1,566,734	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
Other	2,320,414	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
Support services:										
Student	328,156	382,889	443,744	431,759	326,177	229,282	155,810	155,266	146,556	133,394
Instructional staff	470,670	444,596	884,626	475,453	465,600	403,903	376,610	383,309	363,677	352,823
Administration	1,554,600	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
Operation and maintenance of plant	1,404,622	1,421,340	1,212,276	1,227,890	889,921	823,255	828,007	837,633	826,804	796,851
Transportation	623,796	551,703	639,385	668,288	701,188	576,238	560,077	485,482	482,829	542,904
Non-instructional programs:										
Food service operations	3,145	1,120	368	1,000	1,277	-	11,327	11,258	10,212	-
Community service operations	-	-	-	50	33	-	41	692	4,194	4,420
Capital outlay	218,125	235,173	754,601	10,205,067	16,526,076	6,294,207	1,442,205	451,456	314,137	360,156
Long term debt:										
Principal	1,725,000	1,685,000	1,685,000	6,870,000	825,000	2,405,000	920,000	890,000	850,000	973,356
Interest and fiscal charges	819,586	826,077	907,978	1,010,286	847,170	615,876	403,756	435,329	467,584	501,990
Other expenditures:										
AEA flow-through	570,309	540,175	526,962	493,400	460,602	426,301	445,562	432,541	380,378	351,079
Total	\$ 19,573,160	18,503,572	18,676,390	33,267,762	32,111,796	22,312,436	15,073,789	13,501,550	13,164,217	12,510,708

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

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

To the Board of Education of 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, 2017, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 5, 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.

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-17 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.

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, 2017 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 5, 2017
Newton, Iowa

GILBERT COMMUNITY SCHOOL DISTRICT
SCHEDULED OF FINDINGS
YEAR ENDED JUNE 30, 2017

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-17 Segregation of Duties

Criteria - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody, and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the District's financial statements.

Condition - One important aspect of the internal control structure 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.

Cause - The District has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect - Inadequate segregation of duties could adversely affect the District's ability to prevent or detect and correct misstatements, errors, or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

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

Response - The District will continue to look at best practices for internal controls to be used for the District. The District will utilize all office employees when possible to achieve the highest level of segregation of duties possible.

Conclusion - Response accepted.

GILBERT COMMUNITY SCHOOL DISTRICT
SCHEDULED OF FINDINGS
YEAR ENDED JUNE 30, 2017

Part II: Other Findings Related to Required Statutory Reporting:

II-A-17 Certified Budget - Expenditures for the year ended June 30, 2017 exceeded the certified budget amounts in the instruction function.

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

Response - The District will monitor the certified budget function amounts more closely and will amend prior to June 30th, if necessary, to ensure the budget amounts are not exceeded.

Conclusion - Response accepted.

II-B-17 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-17 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-17 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	\$8,151
Nancy Nelson, Para Spouse owns Central State Roofing	Purchased services	\$51,224

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-17 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

II-F-17 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-17 Certified Enrollment - No variance regarding the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-17 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.

- II-I-17 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-17 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-17 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-17 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, 2017, 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		\$ 1,585,503
Revenues/transfer in:		
Sales tax revenues	\$ 1,330,037	
Other local revenues	945	1,330,982
		2,916,485
Transfer to other funds:		
Land purchased	\$ 1,000	
Debt service fund	936,753	937,753
		937,753
Ending Balance		<u><u>\$ 1,978,732</u></u>

For the year ended June 30, 2017, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- II-M-17 Deficit Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying three significant deficit student lunch account balances on the books.

Recommendation - The District should review their procedures and policies in regard to deficit student lunch account balances. These policies should be aimed at discouraging the accounts from reaching significant deficit amounts. The District should try various collection techniques to collect the balances from the families.

Response - The District will continue to monitor student lunch accounts that have a deficit. The District will continue to follow their policies in place to successfully support parents to pay their deficits in a timely manner.

Conclusion - Response accepted.