

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

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

June 30, 2017

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**Dallas Center-Grimes Community School District
Officials
Year Ended June 30, 2017**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Douglas Rothfus	President	2019
David Eilers	Vice President	2017
Scott Brown	Board Member	2017
Doug Rants	Board Member	2017
Marco Bejarno	Board Member	2019
Kathie Hicok	Board Member	2019
Ronnie Wiedman	Board Member	2019
School District Officials		
Scott Grimes	Superintendent	2017
Michelle Wearmouth	District Secretary/Treasurer and Business Manager	2017
Ahler's Law Firm	Attorney	Indefinite



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Van Maanen, Sietstra, Meyer & Nikkel, PC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Education
Dallas Center-Grimes 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 Dallas Center-Grimes Community School District, cities of Dallas Center and Grimes, Iowa, as of and for the year ended June 30, 2017, and the related Notes to the 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 Dallas Center-Grimes Community School District as of June 30, 2017, and the respective changes in financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 16 and 46 through 51 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 the 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 Dallas Center-Grimes 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 11, including the Schedule of Expenditures of Federal Awards required by Title 2, *U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), 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 *Governmental Auditing Standards*, we have also issued our report dated November 29, 2017, on our consideration of Dallas Center-Grimes Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's 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 Dallas Center-Grimes Community School District's internal control over financial reporting and compliance.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

November 29, 2017

**Dallas Center-Grimes Community School District
Management's Discussion and Analysis
June 30, 2017**

The Dallas Center - Grimes 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.

FINANCIAL HIGHLIGHTS

- ◆ General Fund revenues increased from \$25,862,424 in FY16 to \$29,009,393 in FY17 while General Fund expenditures increased from \$26,270,714 in FY2016 to \$28,087,361 in FY2017. A portion of the increased expenditures are attributed to the increased costs associated with serving 207 new students.
- ◆ This resulted in an expected increase of \$922,032 in the District's General Fund balances, including restricted, committed and unassigned fund balances, from \$3,601,698 in fiscal 2016 to \$4,523,730 in fiscal 2017. This is a result of the District's ability to levy for cash reserve for the first time in several years.
- ◆ The increase in General Fund revenues was primarily attributable to an increase in receipts of state funds and property tax collections due to 2.25% allowable growth and a significant increase in student enrollment of 207 students.
- ◆ The increase in General Fund expenditures was primarily attributable to an increase in the negotiated salary and benefits, and the increased staffing associated with student growth. As student numbers increase, instructional supply expenditures increased as well. As the number of facilities increase, utility, repair, and staffing will also increase as well.

USING THIS ANNUAL REPORT

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- ◆ The first two statements are *government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- ◆ The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- ◆ The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- ◆ The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- ◆ The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Dallas Center-Grimes Community School District

Management's Discussion and Analysis

June 30, 2017

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

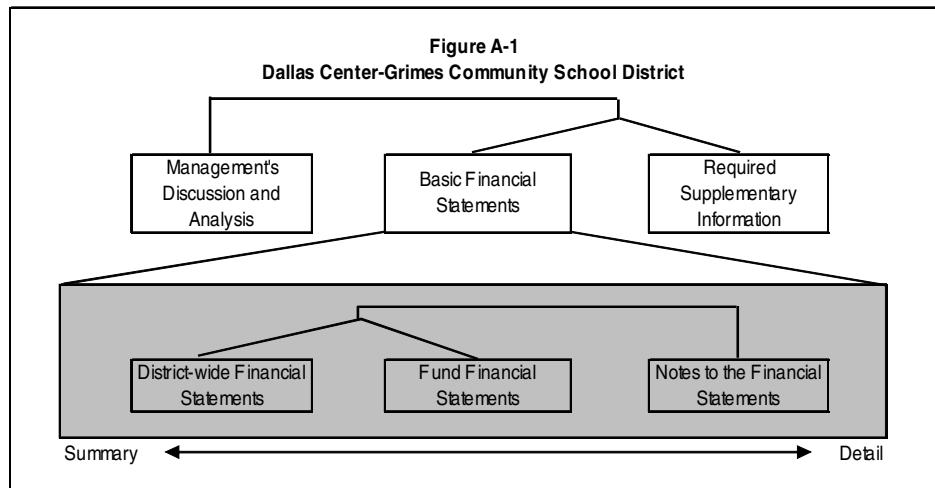


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2
Major Features of the District-wide and Fund Financial Statements

	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as the special education and building maintenance	Activities the district operates similar to private businesses: food services, farm account, and student construction	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of net position * Statement of revenues, expenses and changes in net position * Statement of cash flows	* Statement of fiduciary net position * Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year; or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid
Type of deferred outflow / inflow information	Consumption / acquisition of net position that is applicable to a future reporting period	Consumption / acquisition of fund balance that is applicable to a future reporting period	Consumption / acquisition of net position that is applicable to a future reporting period	Consumption / acquisition of net position that is applicable to a future reporting period
Common names of district funds included	All funds with the exception of scholarship funds	General, Debt Service, Capital Projects, Management, Student Activity	Nutrition Fund, Farm Enterprise Account, Student Construction Fund	Burnett Scholarship, Brewer Scholarship, Anderson Scholarship, Schnell Scholarship, Bowersox Scholarship

Dallas Center-Grimes Community School District**Management's Discussion and Analysis****June 30, 2017****REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES****Government-wide Financial Statements**

The government-wide 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 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 position.

To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities. The valuation of the district increased 9.63%.

Review of DC-G Property Tax Valuations by Year			
Year	Taxable Valuation without TIF	Increase over previous year	Percent increase
FY2001	\$ 270,537,874	34,145,130	12.62%
FY2002	337,471,923	66,934,049	19.83%
FY2003	354,464,375	16,992,452	4.79%
FY2004	361,420,196	6,955,821	1.92%
FY2005	383,341,568	21,921,372	5.72%
FY2006	418,254,246	34,912,678	8.35%
FY2007	453,208,099	34,953,853	7.71%
FY2008	495,093,032	41,884,933	8.46%
FY2009	550,887,628	55,794,596	10.13%
FY2010	611,963,877	61,076,249	9.98%
FY2011	626,485,604	14,521,727	2.32%
FY2012	589,205,292	(37,280,312)	-6.33%
FY 2013	623,265,810	34,060,518	5.46%
FY 2014	641,969,948	18,704,138	2.91%

Dallas Center - Grimes Facilities by Age	
Dallas Center – Grimes Elementary, Grimes	Opened 8-1-1988
Dallas Center – Grimes Elementary, Dallas Center	Opened 1-1-2002
Dallas Center – Grimes Middle School, Dallas Center	Opened 8-1-2004
Dallas Center – Grimes High School, Grimes	Opened 8-1-2002
Dallas Center – Grimes Auditorium addition, Grimes	Opened 9-1-2005
Dallas Center – Grimes Sports Complex, Grimes	Final phase 9-1-2006
Dallas Center - Grimes North Ridge Elementary, Grimes	Opened 8-1-2008
Dallas Center - Grimes Meadows 8-9, Grimes	Opened 8-1-2012
Dallas Center - Grimes North Ridge 8 Room Addition	Opened 8-1-2014

In the District-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 three kinds of funds:

- ◆ 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. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
 - The District's governmental funds include the General Fund, Debt Service Fund, Capital Projects Funds, and Special Revenue funds such as the Student Activity fund, Management fund, and PPEL fund.
- ◆ 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 District-wide 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's enterprise funds include the School Nutrition Fund, Student Construction Fund, and the Farm Enterprise Fund.
- ◆ Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-purpose Trust and Agency funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund. There are currently five scholarship trust funds: Burnett Scholarship, Brewer Scholarship, Anderson Scholarship, Schnell Scholarship, and Bowersox Scholarship funds.
 - Agency Fund- These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases. The District has only one Agency fund which holds employee funds contributed by employees through payroll for use in the Medical and Dependent Care Flexible Spending Program.

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

**Dallas Center-Grimes Community School District
Management's Discussion and Analysis
June 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position – 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
(Expressed in Thousands)

	Governmental Activities, as restated		Business Type Activities		Total District, as restated		Total Change
	June 30,		June 30,		June 30,		June 30,
	2017	2016	2017	2016	2017	2016	2016-2017
Current and other assets	\$ 38,421	44,638	348	399	38,769	45,037	-13.9%
Capital assets	63,168	53,326	195	215	63,363	53,541	18.3%
Total assets	101,589	97,964	543	614	102,132	98,578	3.6%
Deferred outflows of resources	7,064	4,943	-	-	7,064	4,943	42.9%
Long-term liabilities	54,566	55,557	-	-	54,566	55,557	-1.8%
Other liabilities	2,838	1,223	1	47	2,839	1,270	123.5%
Total liabilities	57,404	56,780	1	47	57,405	56,827	1.0%
Deferred inflows of resources	18,599	17,426	-	-	18,599	17,426	6.7%
Net position:							
Invested in capital assets, net of related debt	27,834	23,764	195	215	28,029	23,979	16.9%
Restricted	10,409	10,903	-	-	10,409	10,903	-4.5%
Unrestricted	(5,593)	(5,966)	347	352	(5,246)	(5,614)	-6.6%
Total net position	\$ 32,650	28,701	542	567	33,192	29,268	13.4%

**Dallas Center-Grimes Community School District
Management's Discussion and Analysis
June 30, 2017**

Figure A-4 shows the change 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
(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	Year ended June 30, 2017		Year ended June 30, 2016		Year ended June 30, 2017		Year ended June 30, 2016
	Revenues:						June 30, 2016-2017
Program revenues:							
Charges for service	\$ 3,631	3,402	1,095	1,292	4,726	4,694	0.7%
Operating grants, contributions and restricted interest	4,886	4,462	450	424	5,336	4,886	9.2%
General revenues:							
Property tax	14,848	13,076	-	-	14,848	13,076	13.6%
Statewide sales, services and use tax	2,358	2,221	-	-	2,358	2,221	6.2%
Unrestricted state grants	11,234	10,293	-	-	11,234	10,293	9.1%
Unrestricted investment earnings	254	178	1	-	255	178	43.3%
Other	1,068	1,308	13	5	1,081	1,313	-17.7%
Total revenues	38,279	34,940	1,559	1,721	39,838	36,661	8.7%
Program expenses:							
Governmental activities:							
Instruction	20,360	18,808	-	-	20,360	18,808	8.3%
Support services	9,734	9,347	22	246	9,756	9,593	1.7%
Non-instructional programs	-	-	1,562	1,491	1,562	1,491	4.8%
Other expenses	4,236	5,685	-	-	4,236	5,685	-25.5%
Total expenses	34,330	33,840	1,584	1,737	35,914	35,577	0.9%
Change in net position	3,949	1,100	(25)	(16)	3,924	1,084	262.0%
Net position beginning of year, as restated	28,701	27,601	567	583	29,268	28,184	3.8%
Net position end of year	\$ 32,650	28,701	542	567	33,192	29,268	13.4%

Property tax, sales and service tax, and unrestricted state grants account for 74% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$38,279,175 and expenses were \$34,330,487.

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 those expenses for the year ended June 30, 2016.

**Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)**

	Total Cost of Services		Change 2016-2017	Net Cost of Services		Change 2016-2017		
	2017	2016		2017	2016			
	Instruction		\$ 20,360	18,808	8.3%	12,939	12,025	7.6%
Support services			9,734	9,347	4.1%	9,672	9,226	4.8%
Other expenses			4,236	5,685	-25.5%	3,202	4,725	-32.2%
Totals			\$ 34,330	33,840	1.4%	25,813	25,976	-0.6%

Dallas Center-Grimes Community School District

Management's Discussion and Analysis

June 30, 2017

- The cost financed by users of the District's programs was \$3,630,967
- Federal and state government subsidized certain programs with grants and contributions totaling \$ 4,886,009. The net cost of governmental activities was financed with \$17,206,238 in property and other taxes and \$11,233,759 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$1,558,325 and expenses were \$1,583,800. The District's business type activities include the School Nutrition Fund, Student Construction, and Farm Enterprise Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2017, the District increased meal prices by .10 cents. The District continues to contract food services with Taher, Incorporated of Minnesota.

INDIVIDUAL FUND ANALYSIS

As previously noted, Dallas Center-Grimes 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 government funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$19,192,907 which includes remaining funds for the construction of the Heritage elementary building which will open in August 2017. The previous year, governmental funds reported a combined fund balance of \$28,833,629 which included funds for the construction of Heritage elementary.

Governmental Fund Highlights

- The District's unassigned/unrestricted general fund balance increased in FY17. The general fund unassigned/unrestricted net fund balance increased from \$3,057,160 unassigned fund balance for FY16 to \$4,159,957. The District planned for the fund balance to increase in the fiscal year as fund balance during the first budget year that cash reserve levy can again be levied. The solvency ratio target is more difficult to maintain during years of rapid enrollment growth as the cash balance is depleted to support education of the increase in students while the levy cannot make a cash impact until 18+ months later. The district's targeted financial solvency rate is 10-15%. The solvency ratio was 12.27% in FY16 and 10.93% in the fiscal year ending June 30, 2017 despite the Board taking action to levy the maximum cash reserve amount to replenish fund balance.
- DC-G has experienced enrollment growth, which has allowed for additional dollars to fund programs. This has allowed some of the increased cost to be covered by new funds. Significant student growth within a single year may inhibit the District's ability to maintain a constant property tax rate.
- Over the past ten years the net impact of open enrollment has been very positive for DC-G. There was net \$1,608,900 more available for funding programs within our district in 16-17 due to positive net open enrollment of 249.6 students.
- In 2001-02, DC-G implemented an instructional levy. In 2001-02, the instructional levy was 3%, in 2002-03 it was 7%, and since 2003-04 this levy has been at the maximum 10%. Prior to 2004-05, the District elected not to commit all the instructional levy dollars to spending in the same year. However, in the 2004-05, 2005-06 and 2006-07 fiscal years, the full instructional support levy amount was committed to current year spending. The District voted to renew its instructional levy in October 2008 for a five year period beginning July 1, 2009 and again in December 2015 for the five year period beginning July 1, 2015 ending in 2019. It will be imperative for the District to continue to renew the instructional support levy in the future to maintain programs during enrollment growth.
- The District has implemented an extensive at-risk program, now at the maximum funding level. This has provided funding for some of the additional staff needed in the District, and has allowed the regular operating budget to absorb other increases.
- The District's administrative team and school board closely monitor monthly revenues and expenditures. The board has intentionally decided not to commit funds beyond a certain level which helps maintain a relatively constant or increasing fund balance.

Dallas Center-Grimes Community School District

Management's Discussion and Analysis

June 30, 2017

- The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$1,365,153 at the end of FY16 to \$1,805,467 at the end of FY17. Funds were spent primarily on a major technology infrastructure upgrades, costs associated with the new bus facility, school bus purchases, carpet replacement, and other district repairs and maintenance.
- The Management fund balance increased from \$191,429 at June 30, 2016 to \$599,632 at the close of FY17. The planned use of fund balance helped to control the property tax rate but cannot be utilized on a continuing basis. Increasing costs of liability and equipment repair insurances along with the need to control property tax increases has limited the ability of the District to offer programs such as early retirement in FY16 and FY17. The District will investigate alternatives for FY18.

Proprietary Fund Highlights

School Nutrition cash/investments and inventories decreased from \$334,247 at June 30, 2016 to \$300,445 at June 30, 2017. The Farm account cash/investments increased from \$13,917 at FY16 to \$15,264 at FY17.

BUDGETARY HIGHLIGHTS

Over the course of the year, Dallas Center - Grimes Community School District monitored the published budget. Budget amendments were needed in one of the four areas, the non-instructional area.

It is the District's practice to budget expenditures at levels up to the maximum authorized spending authority for funds, yet to manage and control the spending through the line-item budget. It is difficult to predict budget outcomes without the Legislature passing allowable growth percentage within budgetary timelines.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had invested \$63.1 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$1,721,110 in both governmental and business type activities.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2017	2016	2017	2016	2017	2016	2016-2017
Land	\$ 2,558	2,558	-	-	2,558	2,558	0.0%
Construction in progress	12,628	1,350	-	-	12,628	1,350	835.4%
Buildings	45,651	46,843	-	-	45,651	46,843	-2.5%
Improvements other than buildings	808	737	-	-	808	737	9.6%
Furniture and equipment	1,523	1,838	195	215	1,718	2,053	-16.3%
Totals	\$ 63,168	53,326	195	215	63,363	53,541	18.3%

Long Term Debt

At June 30, 2017, the District has \$54,566,315 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 1.8 percent from last year attributable to repayment of obligations, a new GO Bond, and inclusion of the IPERS net pension liability. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 of the financial statements.

**Dallas Center-Grimes Community School District
Management's Discussion and Analysis
June 30, 2017**

Figure A-7 Outstanding Long-Term Obligations (Expressed in Thousands)			
	Total District	Total June 30,	Change
	June 30, 2017	2016	2016-2017
General obligation bonds	\$ 34,695	38,905	-10.8%
GO bond discount, net	(158)	(170)	-7.1%
GO bond premium, net	457	485	-5.8%
Revenue bonds	4,925	4,925	0.0%
Revenue bond discount, net	(45)	(49)	-8.2%
Early retirement	299	399	-25.1%
Net pension liability	14,339	11,020	30.1%
Other postemployment benefits	54	42	28.6%
 Totals	 \$ 54,566	 55,557	 -1.8%

The following reviews recent bonding and construction:

October 19, 1999	Bond issue 9.75 million for purchase of Rhinehart land, purchase of Meadows land & build/furnish high school on Meadows land 1.26 million bond sold to begin construction and make land purchases	(Levy A only) Pass Levy B - Fail
November 23, 1999	Passage of the Polk County Local Option Sales Tax Revenue bond 4.9 million for the construction of DC elementary sold on October 17, 2000	Pass
December 7, 1999	Levy B raising funds to levy at the \$4.05 mark for the \$9.75 million dollar bond issue. 9.985 GO bond sold which was remaining dollars authorized Oct. 19, 1999 and refinance Grimes elementary bond	Pass
July 16, 2002	Bond issue \$6.4 million for construction, renovation, and furnishing a new middle school in Dallas Center	Pass
March 19, 2004	Began Phase One of Sports Complex project funded with Local Option Sales and Service dollars. Phase one completed October 18, 2004.	
March 30, 2004	Bond issue 3.0 million for construction and furnishing of auditorium addition to the high school	Pass
April 11, 2006	Bond issue 6.5 million for site acquisition, construction and furnishing a new elementary school (North Ridge Elementary)	Pass
April 11, 2006	Passage of voter-approved PPEL Levy not to exceed \$1.34/\$1,000	Pass
September 9, 2008	Revenue purpose statement SAVE/LOST fund	Pass
September 14, 2010	QSCB General Obligation Bond \$11,315,000 Taxable for 8-9 building	Pass
April 7, 2016	Bond issue 13.8 million for site acquisition, construction and furnishing a new elementary school in the Grimes Heritage development area	Pass

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District continues to experience enrollment growth. The District's population in 2010 was estimated at 9,869 which is approximately 51% growth over the 2000 census. The City of Grimes requested a special census for 2015 showing the population of Grimes as 11,423 which was a 38.5% increase over 2010.
- The most recent bond issue voted April 7, 2016 had an 82% positive vote in the election and construction began in FY 2016 on the Heritage elementary facility in Grimes to support approximately 500 students.
- Private and corporate homebuilders continue to select the Grimes area for new home construction. The recent rate of growth will allow for a manageable transition to additional facilities, but accelerated rates of growth expected will greatly stress current facilities. The District continues to monitor growth of residential housing by monitoring the number of building permits granted and it is noted that recent data indicates a sharp incline in new building permits filed within the District.
- Two large developments continue to proceed in the City of Grimes: the Heritage development and the Beaverbrook development. Rapid home building in each of these areas is being continually monitored by the District. Residential building permits are being requested well above the historical levels. The District will need to closely monitor changes in enrollment and make staffing changes immediately. Failure to monitor and/or to react to enrollment declines will negatively impact the District's budget.
- The District has contracted the services of RSP Associates to monitor and project enrollment growth. This is yet another factor providing information to the administration and subsequently to the Facilities committee to plan for enrollment growth.
- In September 2008, the District approved a new Statement of Purpose for the LOSST. This will allow a greater use of LOSST funds and adding to the capacity for projects that have primarily been PPEL projects.
- In the fall of 2008, the District established a community wide facility committee. The facility committee continues to meet to review future facility needs of the District and reviews uses of funds for projects or the need for future bonding for major construction.
- The District voters passed the voter-approved PPEL levy on April 7, 2016 for 10 years. These funds will continue to support repair and renovations in the District and possible funds for needed additions to facilities.
- Along with growth, transportation needs to transport students to school locations continues to grow. The District has purchased three new buses. The District will need to maintain a level of at least two to three bus purchases annually in the future which has been included in the District ten-year PPEL planning. If neighborhood school boundaries are changed, bussing needs may also change and additional buses must be purchased per year.
- The District completed its transportation facility in Grimes, and with a growing fleet the need for a central location to store and perform maintenance on the fleet was an imperative improvement. This complex includes a building for central storage and warehousing at this location. This project was funded with SAVE local option sales tax funds.
- Fiscal 2017 was the first year of a one-year contract with the Dallas Center-Grimes Education Association. The package totaled just over 4.05%. The Board negotiated a two year agreement for FY18 and FY19 at \$600 base pay increase each year
- In May 2016, the bond rating was reviewed by Moody's Investing Service for the fifth time and the rating was improved from Aa3 to Aa2. The report noted areas of strength including tax base growth, increasing enrollment, and strong fiscal management. Moody's upheld this rating in the most recent review August 2017.
- Over the past several years, the District net open enrollment in and out number has improved dramatically. The 2016 school year experienced a net positive open enrollment students near the same figures as the previous fiscal year while 2017 saw a decline primarily based upon space available due to residential growth. The District will need to be careful of funding ongoing

expenditures with funds as variable as open enrollment and make immediate changes in staffing levels if open enrollment drops. The District needs to continue to foster open enrollment to the extent that facilities allow.

- In the January 1, 2016 assessment of District taxable valuation, property values increased by 3.73%. In the January 1, 2017 assessment of District taxable valuation, property values increased by 9.63%. This percentage is varying greatly and difficult to predict for future projections. With the many variables associated with property tax valuation such as agricultural valuation changes in Dallas County, TIF valuation changes, and reassessment of properties, the District will monitor closely as it may not experience the same historic levels of taxable property valuation growth.
- Area cities continue to discuss and use TIF as means of supporting development. All TIF, but especially residential TIFs will have a negative impact on property tax rate. The District must continue to monitor and oppose TIFs that negatively impact the District.
- The District has grown an average of 60 students per year for the past ten years. The growth recorded in September 2008 was 63 students, September 2009 was 53 students, September 2010 was 58 students, September 2011 was 28 students, September 2013 was a record 157.37 students, September 2014 was an increase of 104.37, and September 2015 was an increase of 130.57 students. The September 2016 student growth was approximately 207 students and the September 2017 student growth was 128. Although this level of growth is not planned for the future, it is prudent for the District to plan for growth of 75 to 100 students per year. This increase creates facility challenges as the District also increases its preschool program.
- To the south of the Grimes area, Aurora Business Park, L.L.C. has continued construction of a projected \$300 million dollar business park within school boundaries. This development will significantly increase property valuation, and will be the workplace of nearly one-thousand employees. Unfortunately, the area is a TIF area so general fund valuation will not grow with the development.
- Two years ago, Wal-Mart opened a new store in the City of Grimes. Although not in the school district, the expected and planned retail development will impact the District's taxable valuation and enrollment. Commercial growth continues to happen in this area and land has been donated near this site for a YMCA.
- Although current facilities are in great condition, there has been an increasing need for annual facility maintenance funds, as District facilities are no longer under warranty and start to age. Much of the increased cost is associated with managing increased technology in our mechanical and electrical systems. The voters of the District approved a voted-PPEL levy to help meet the annual facility maintenance needs and renewal of this levy will be imperative for the District.
- The rapid addition of facilities has been fostered by significant residential and commercial taxable valuation growth. A decrease in valuation will likely have an impact on the District property tax rate. Although District enrollment growth has been manageable, rates of growth similar to other area districts will result in a significant impact upon facilities and in the property tax rate.
- Ongoing discussions of revisions to Highway 44, Highway 141, and the construction of a north/south bypass and/or an east/west bypass will impact the commercial and residential growth of Grimes.
- The District has structured payments for General Obligation bonds with several larger payments in the years 2027, 2028, and 2029. This structure will create difficulty in future bonding schedules, and the Board will prudently review this situation and take available action to consider using subsidy payments and pre-levying funds toward prepayment of those bonds to create a favorable payment structure for the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide 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, please contact Michelle Wearmouth, Business Manager at Dallas Center-Grimes Community School District, P.O. Box 512, Dallas Center, Iowa 50063.

Basic Financial Statements

Exhibit A

**Dallas Center-Grimes Community School District
Statement of Net Position
June 30, 2017**

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 20,953,423	326,392	21,279,815
Receivables:			
Property tax:			
Delinquent	44,198	-	44,198
Succeeding year	16,653,012	-	16,653,012
Accounts	10,782	539	11,321
Due from other governments	759,632	-	759,632
Inventories	-	20,709	20,709
Capital assets, net of accumulated depreciation	63,167,988	194,503	63,362,491
Total assets	101,589,035	542,143	102,131,178
Deferred Outflows of Resources			
Deferred bond costs	178,999	-	178,999
Pension related deferred outflows	6,884,599	-	6,884,599
Total deferred outflows of resources	7,063,598	-	7,063,598
Liabilities			
Accounts payable	2,014,774	636	2,015,410
Salaries and benefits payable	560,354	-	560,354
Accrued interest payable	263,046	-	263,046
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	1,455,000	-	1,455,000
Early retirement	71,618	-	71,618
Portion due after one year:			
General obligation bonds	33,539,261	-	33,539,261
Revenue bonds	4,879,704	-	4,879,704
Early retirement	227,894	-	227,894
Net pension liability	14,338,604	-	14,338,604
Net OPEB liability	54,234	-	54,234
Total liabilities	57,404,489	636	57,405,125
Deferred Inflows of Resources			
Unavailable property tax revenue	16,653,012	-	16,653,012
Pension related deferred inflows	1,945,493	-	1,945,493
Total deferred inflows of resources	18,598,505	-	18,598,505
Net position			
Net investment in capital assets	27,833,629	194,503	28,028,132
Restricted for:			
Categorical funding	363,773	-	363,773
Debt service	5,664,995	-	5,664,995
Management levy purposes	599,632	-	599,632
Physical plant and equipment	1,805,467	-	1,805,467
Capital projects	1,769,427	-	1,769,427
Student activities	206,003	-	206,003
Unrestricted	(5,593,287)	347,004	(5,246,283)
Total net position	\$ 32,649,639	541,507	33,191,146

See notes to financial statements.

Exhibit B

Dallas Center-Grimes Community School District
Statement of Activities
Year ended June 30, 2017

	Net (Expense) Revenue & Changes in Net Position					
	Program Revenues			Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 12,153,505	2,632,141	3,320,799	(6,200,565)	-	(6,200,565)
Special instruction	3,185,074	427,398	419,381	(2,338,295)	-	(2,338,295)
Other instruction	5,021,896	529,688	92,369	(4,399,839)	-	(4,399,839)
	20,360,475	3,589,227	3,832,549	(12,938,699)	-	(12,938,699)
Support services:						
Student	803,785	-	-	(803,785)	-	(803,785)
Instructional staff	2,366,856	-	-	(2,366,856)	-	(2,366,856)
Administration	2,563,094	-	-	(2,563,094)	-	(2,563,094)
Operating and maintenance of plant	2,648,746	-	-	(2,648,746)	-	(2,648,746)
Transportation	1,351,599	41,740	20,227	(1,289,632)	-	(1,289,632)
	9,734,080	41,740	20,227	(9,672,113)	-	(9,672,113)
Other expenditures:						
Facilities acquisition	1,341,725	-	-	(1,341,725)	-	(1,341,725)
Long-term debt interest	1,860,974	-	-	(1,860,974)	-	(1,860,974)
AEA flowthrough	1,033,233	-	1,033,233	-	-	-
	4,235,932	-	1,033,233	(3,202,699)	-	(3,202,699)
Total governmental activities	34,330,487	3,630,967	4,886,009	(25,813,511)	-	(25,813,511)
Business type activities:						
Support services:						
Student construction	21,078	648	-	-	(20,430)	(20,430)
Farm account	1,068	2,415	-	-	1,347	1,347
Non-instructional programs:						
Food service operations	1,561,654	1,091,616	449,583	-	(20,455)	(20,455)
	1,583,800	1,094,679	449,583	-	(39,538)	(39,538)
Total primary government	\$ 35,914,287	4,725,646	5,335,592	(25,813,511)	(39,538)	(25,853,049)

Exhibit B

Dallas Center-Grimes Community School District
Statement of Activities
Year ended June 30, 2017

	Net (Expense) Revenue & Changes in Net Position					
	Program Revenues				Business Type Activities	
	Expenses	Charges for Service	Contributions and Restricted Interest	Governmental Activities		
Totals from previous page	\$ 35,914,287	4,725,646	5,335,592	(25,813,511)	(39,538)	(25,853,049)
General Revenues:						
Property tax levied for:						
General purposes				9,916,707	-	9,916,707
Debt service				3,540,394	-	3,540,394
Capital outlay				1,390,579	-	1,390,579
Statewide sales, services and use tax				2,358,558	-	2,358,558
Unrestricted state grants				11,233,759	-	11,233,759
Unrestricted investment earnings				253,930	653	254,583
Other				1,652,405	-	1,652,405
Contributions not restricted to specific programs				53,864	1,770	55,634
Contributed capital				-	11,640	11,640
Gain (loss) on disposal of capital assets				(5,551)	-	(5,551)
Gain (loss) on in-substance defeasance of debt				(632,446)	-	(632,446)
Total general revenues				29,762,199	14,063	29,776,262
Change in net position				3,948,688	(25,475)	3,923,213
Net position beginning of year, as restated				28,700,951	566,982	29,267,933
Net position end of year				\$ 32,649,639	541,507	33,191,146

See notes to financial statements.

Exhibit C

Dallas Center-Grimes Community School District

Balance Sheet

Governmental Funds

June 30, 2017

Assets	General	Debt Service	Capital Projects	Non-major	Total
Cash, cash equivalents and pooled investments	\$ 4,777,208	5,917,839	9,443,105	815,271	20,953,423
Receivables:					
Property tax:					
Delinquent	27,684	10,202	4,126	2,186	44,198
Succeeding year	10,746,245	3,819,350	1,507,417	580,000	16,653,012
Accounts	5,637	-	-	5,145	10,782
Due from other governments	759,632	-	-	-	759,632
Total assets	\$ 16,316,406	9,747,391	10,954,648	1,402,602	38,421,047
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 486,077	-	1,511,730	16,967	2,014,774
Salaries and benefits payable	560,354	-	-	-	560,354
Total liabilities	1,046,431	-	1,511,730	16,967	2,575,128
Deferred inflows of resources :					
Unavailable revenues:					
Succeeding year property tax	10,746,245	3,819,350	1,507,417	580,000	16,653,012
Total deferred inflows of resources	10,746,245	3,819,350	1,507,417	580,000	16,653,012
Fund balances:					
Restricted for:					
Categorical funding	363,773	-	-	-	363,773
Debt service	-	5,928,041	-	-	5,928,041
Management levy purposes	-	-	-	599,632	599,632
Student activities	-	-	-	206,003	206,003
School infrastructure	-	-	6,130,034	-	6,130,034
Physical plant and equipment	-	-	1,805,467	-	1,805,467
Unassigned	4,159,957	-	-	-	4,159,957
Total fund balances	4,523,730	5,928,041	7,935,501	805,635	19,192,907
Total liabilities, deferred inflows of resources and fund balances	\$ 16,316,406	9,747,391	10,954,648	1,402,602	38,421,047

See notes to financial statements.

Exhibit D

Dallas Center-Grimes 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 (Exhibit C) \$ 19,192,907

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds:

Land	\$ 2,558,241
Construction in progress	12,627,839
Buildings	59,573,126
Improvements	2,277,663
Vehicles, furniture and equipment	6,738,247
Accumulated depreciation	(20,607,128) 63,167,988

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

(263,046)

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	6,884,599
Deferred inflows of resources	(1,945,493) 4,939,106

Long-term liabilities, including bonds and notes payable, bond discounts, deferred bond costs, bond premiums, net pension liability, other postemployment benefits and special termination benefits are not due and payable in the current year and, therefore, are not reported in the governmental funds. These liabilities at year-end consist of:

General obligation bonds	(34,695,000)
Sales tax revenue bonds	(4,925,000)
Bond discounts, net	203,299
Deferred bond costs, net	178,999
Bond premiums, net	(457,264)
Net pension liability	(14,338,604)
Other postemployment benefits	(54,234)
Special termination benefits	(299,512) (54,387,316)

Net position of governmental activities (Exhibit A) \$ 32,649,639

See notes to financial statements.

Exhibit E

Dallas Center-Grimes Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2017

	General	Debt Service	Capital Projects	Non-major	Total
Revenues:					
Local sources:					
Local tax	\$ 9,192,338	3,540,394	1,390,579	724,369	14,847,680
Tuition	2,733,064	-	-	-	2,733,064
Other	494,282	952,328	126,208	560,674	2,133,492
State sources	15,852,746	153,736	2,421,853	37,638	18,465,973
Federal sources	736,963	-	-	-	736,963
Total revenues	29,009,393	4,646,458	3,938,640	1,322,681	38,917,172
Expenditures:					
Current:					
Instruction:					
Regular	11,501,797	-	-	111,419	11,613,216
Special	3,083,743	-	-	-	3,083,743
Other	3,838,293	-	-	539,130	4,377,423
	<u>18,423,833</u>	<u>-</u>	<u>-</u>	<u>650,549</u>	<u>19,074,382</u>
Support services:					
Student	771,241	-	-	-	771,241
Instructional staff	2,197,720	-	-	-	2,197,720
Administration	2,296,798	-	170,668	-	2,467,466
Operation and maintenance of plant	2,288,045	-	26,586	272,501	2,587,132
Transportation	1,076,491	-	59,539	-	1,136,030
	<u>8,630,295</u>	<u>-</u>	<u>256,793</u>	<u>272,501</u>	<u>9,159,589</u>
Other expenditures:					
Facilities acquisition	-	-	12,619,631	-	12,619,631
Long-term debt:					
Principal	-	1,430,000	-	-	1,430,000
Interest and fiscal charges	-	1,828,613	-	-	1,828,613
AEA flowthrough	1,033,233	-	-	-	1,033,233
	<u>1,033,233</u>	<u>3,258,613</u>	<u>12,619,631</u>	<u>-</u>	<u>16,911,477</u>
Total expenditures	28,087,361	3,258,613	12,876,424	923,050	45,145,448
Excess (deficiency) of revenues over (under) expenditures	922,032	1,387,845	(8,937,784)	399,631	(6,228,276)
Other financing sources (uses):					
Payments to escrow agent for defeasance of debt	-	(3,412,446)	-	-	(3,412,446)
Operating transfers in	-	555,713	-	-	555,713
Operating transfers out	-	-	(555,713)	-	(555,713)
Total other financing sources (uses)	-	(2,856,733)	(555,713)	-	(3,412,446)
Change in fund balances	922,032	(1,468,888)	(9,493,497)	399,631	(9,640,722)
Fund balances beginning of year	3,601,698	7,396,929	17,428,998	406,004	28,833,629
Fund balances end of year	\$ 4,523,730	5,928,041	7,935,501	805,635	19,192,907

See notes to financial statements.

Exhibit F

Dallas Center-Grimes 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

Net change in fund balances - total governmental funds (Exhibit E) \$ (9,640,722)

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

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

Capital outlays	\$ 11,535,561
Depreciation expense	(1,688,644)
Gain (loss) on disposal of assets	<u>(5,551)</u> 9,841,366

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

In-substance defeasance of bond principal	2,780,000
Bond principal repaid	1,430,000
Amortization of bond premium	27,961
Amortization of deferred bond costs	(59,667)
Amortization of bond discount	<u>(16,075)</u> 4,162,219

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.

15,420

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

1,554,698

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

Early retirement	99,828
Pension expense	(2,071,887)
Other postemployment benefits	<u>(12,234)</u> (1,984,293)

Change in net position of governmental activities (Exhibit B) \$ 3,948,688

See notes to financial statements.

Exhibit G

Dallas Center-Grimes Community School District
Statement of Net Position
Proprietary Funds
June 30, 2017

	Enterprise Funds
Assets	
Current assets:	
Cash and cash equivalents	\$ 326,392
Accounts receivable	539
Inventories	<u>20,709</u>
Total current assets	<u>347,640</u>
Non-current assets:	
Machinery and equipment	697,532
Accumulated depreciation	<u>(503,029)</u>
Total non-current assets	<u>194,503</u>
Total assets	<u>542,143</u>
Liabilities	
Current liabilities:	
Accounts payable	<u>636</u>
Total liabilities	<u>636</u>
Net Position	
Net investment in capital assets	194,503
Unrestricted	<u>347,004</u>
Total net position	<u>\$ 541,507</u>

See notes to financial statements.

Exhibit H

Dallas Center-Grimes Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year ended June 30, 2017

	Enterprise Funds
Operating revenues:	
Local sources:	
Operating revenues	<u>\$ 1,094,679</u>
Operating expenses:	
Instructional programs:	
Support services:	
Services	17,000
Supplies	<u>5,146</u>
	<u>22,146</u>
Non-instructional programs:	
Food service operations:	
Services	1,341,604
Supplies	187,584
Depreciation	<u>32,466</u>
	<u>1,561,654</u>
Total operating expenses	<u>1,583,800</u>
Operating loss	<u>(489,121)</u>
Non-operating revenues:	
State sources	10,428
Federal sources	439,155
Contributions	1,770
Interest income	<u>653</u>
Total non-operating revenues	<u>452,006</u>
Income (loss) before other sources (uses)	<u>(37,115)</u>
Other sources (uses)	
Capital contributions	<u>11,640</u>
Total other sources (uses)	<u>11,640</u>
Changes in net position	<u>(25,475)</u>
Net position beginning of year	<u>566,982</u>
Net position end of year	<u>\$ 541,507</u>

See notes to financial statements.

Exhibit I

Dallas Center-Grimes Community School District
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2017

	Enterprise Funds
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 1,093,007
Cash received from miscellaneous operating activities	3,063
Cash payments to suppliers for goods or services	<u>(1,498,790)</u>
Net cash used by operating activities	<u>(402,720)</u>
Cash flows from non-capital financing activities:	
State grants received	10,428
Federal grants received	<u>340,783</u>
Net cash provided by non-capital financing activities	<u>351,211</u>
Cash flows from capital and related financing activities:	
Contributions	<u>1,770</u>
Net cash provided by capital and related financing activities	<u>1,770</u>
Cash flows from investing activities:	
Interest on investments	<u>653</u>
Net decrease in cash and cash equivalents	(49,086)
Cash and cash equivalents at beginning of year	<u>375,478</u>
Cash and cash equivalents at end of year	<u>\$ 326,392</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (489,121)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	98,372
Depreciation	32,466
Decrease in accounts receivable	1,391
Decrease in inventories	1,019
(Decrease) in accounts payable	<u>(46,847)</u>
Net cash used by operating activities	<u>\$ (402,720)</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Statement of Net Assets:	
Current assets:	
Cash and investments	\$ 326,392
Cash and cash equivalents at year end	<u>\$ 326,392</u>
Non-cash investing, capital and financing activities:	

During the year ended June 30, 2017, the District received \$98,372 of federal commodities.

See notes to financial statements.

Exhibit J

Dallas Center-Grimes Community School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Private Purpose Trust	Scholarship	Agency
Assets			
Cash, cash equivalents and pooled investments	\$ 27,808		57,247
Total assets	<u>27,808</u>		<u>57,247</u>
Liabilities			
Accounts payable	-		57,247
Total liabilities	<u>-</u>		<u>57,247</u>
Net position			
Reserved for scholarships	27,808		-
Total net assets	<u>\$ 27,808</u>		<u>-</u>

See notes to financial statements.

Exhibit K

Dallas Center-Grimes Community School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year ended June 30, 2017

	Private Purpose	Trust	Scholarship
Additions:			
Local sources:			
Gifts and contributions	\$	-	
Interest income		42	
Total additions			<u>42</u>
Deductions:			
Support services:			
Scholarships awarded			<u>1,752</u>
Change in net position			(1,710)
Net position beginning of year			<u>29,518</u>
Net position end of year	\$		<u>27,808</u>

See notes to financial statements.

Dallas Center-Grimes Community School District

Notes to Financial Statements

June 30, 2017

(1) Summary of Significant Accounting Policies

The Dallas Center-Grimes Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades preschool through twelve. 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 cities of Dallas Center and Grimes, Iowa, and the predominate agricultural territory in Dallas County. 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, Dallas Center-Grimes Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

Dallas Center-Grimes Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of 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 the following categories:

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

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital

Dallas Center-Grimes Community School District

Notes to Financial Statements

June 30, 2017

requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

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

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

The other governmental funds of the District are considered non-major and are as follows:

The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

The District's proprietary funds consist of three Enterprise funds: School Nutrition, Student Construction and School Farm Account. These funds are used to account for the food service operations, student construction operations and farm rental operations of the District.

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

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

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

C. Measurement Focus and Basis of Accounting

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

Dallas Center-Grimes Community School District

Notes to Financial Statements

June 30, 2017

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from 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 and non-negotiable certificates of deposit which are stated 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

Dallas Center-Grimes Community School District

Notes to Financial Statements

June 30, 2017

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.

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

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

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the Government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and 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.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Outflows of Resources Deferred outflows of resources represent a consumption of net position applicable to a future year(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense, contributions from the District after the measurement date but before the end of the District's reporting period and the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

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

Dallas Center-Grimes Community School District

Notes to Financial Statements

June 30, 2017

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

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

Deferred inflows of resources in the Statement of Net Position consists 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 are imposed by law through constitutional provisions or enabling legislation.

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2017, expenditures exceeded the amounts budgeted in the non-instructional programs function.

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2017, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

Dallas Center-Grimes Community School District

Notes to Financial Statements

June 30, 2017

At June 30, 2017, the District had investments in the following:

Iowa Schools Joint Investment Trust		
Diversified Portfolio	\$	3,077,560
Fixed Income		5,679,164
Bankers Trust		
ISJIT Diversified Portfolio		23,594
US Treasury Notes		5,592,778
	<hr/>	<hr/>
		\$ 14,373,096

At June 30, 2017, the District had investments in the Iowa School Joint Investment Trust Direct (ISJIT) which are valued at an amortized cost of \$8,756,724 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawal of the ISJIT investments. The investments in ISJIT were rated AAA by Standard & 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
Debt service	Capital projects	\$ 555,713
		<hr/>
		\$ 555,713

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

Dallas Center-Grimes Community School District
Notes to Financial Statements
June 30, 2017

(4) Capital Assets

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

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,558,241	-	-	2,558,241
Construction in progress	1,349,933	11,277,906	-	12,627,839
Total capital assets not being depreciated	3,908,174	11,277,906	-	15,186,080
Capital assets being depreciated:				
Buildings	59,573,126	-	-	59,573,126
Improvements other than buildings	2,191,069	170,000	83,406	2,277,663
Furniture and equipment	6,747,195	87,655	96,603	6,738,247
Total capital assets being depreciated	68,511,390	257,655	180,009	68,589,036
Less accumulated depreciation for:				
Buildings	12,730,294	1,191,523	-	13,921,817
Improvements other than buildings	1,453,648	99,709	83,406	1,469,951
Furniture and equipment	4,909,000	397,412	91,052	5,215,360
Total accumulated depreciation	19,092,942	1,688,644	174,458	20,607,128
Total capital assets being depreciated, net	49,418,448	(1,430,989)	5,551	47,981,908
Governmental activities capital assets, net	\$ 53,326,622	9,846,917	5,551	63,167,988
Business type activities:				
Furniture and equipment	\$ 707,968	11,640	22,076	697,532
Less accumulated depreciation	492,639	32,466	22,076	503,029
Business type activities capital assets, net	\$ 215,329	(20,826)	-	194,503

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:			
Regular			\$ 429,716
Special			6,388
Other			803,380
Support services:			
Student support			3,833
Instructional staff			140,425
Administration			77,936
Operation and maintenance of plant			14,964
Transportation			212,002
Total governmental activities depreciation expense			\$ 1,688,644

Business type activities:

Food service operations	\$ 32,466
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Dallas Center-Grimes Community School District

Notes to Financial Statements

June 30, 2017

(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2017 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 38,905,000	-	4,210,000	34,695,000	1,455,000
GO bond discounts	(170,111)	-	(12,108)	(158,003)	-
GO bond premiums	485,225	-	27,961	457,264	-
Revenue bonds	4,925,000	-	-	4,925,000	-
Revenue bond discounts	(49,263)	-	(3,967)	(45,296)	-
Early retirement	399,340	-	99,828	299,512	71,618
Net pension liability	11,020,217	3,318,387	-	14,338,604	-
Net OPEB liability	42,000	12,234	-	54,234	-
Total	\$ 55,557,408	3,330,621	4,321,714	54,566,315	1,526,618

General Obligation Bonds Payable

Details of the District's June 30, 2017 general obligation bonded indebtedness are as follows:

Year ending June 30,	Bond Issue of April 1, 2010			Bond Issue of December 1, 2010		
	Int. Rate %	Principal	Interest	Int. Rate %	Principal	Interest
2018	2.800	\$ 765,000	71,108	5.625	\$ -	620,156
2019	3.000	790,000	49,687	5.625	-	620,156
2020	3.150	825,000	25,987	5.625	-	620,156
2021	-	-	-	5.625	-	620,156
2022	-	-	-	5.625	-	620,156
2023	-	-	-	5.625	-	620,156
2024	-	-	-	5.625	-	620,156
2025	-	-	-	5.625	-	620,156
2026	-	-	-	5.625	-	620,156
2027	-	-	-	5.625	-	620,156
2028	-	-	-	5.625	-	620,156
2029	-	-	-	5.625	11,025,000	620,156
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
2034	-	-	-	-	-	-
		\$ 2,380,000	146,782		\$ 11,025,000	7,441,872

Dallas Center-Grimes Community School District

Notes to Financial Statements

June 30, 2017

General Obligation Bonds Payable (continued)

Year ending June 30,	Bond Issue of February 1, 2012			Bond Issue of July 15, 2015			Total		
	Int. Rate %	Principal	Interest	Int. Rate %	Principal	Interest	Principal	Interest	Total
2018	1.000	\$ 690,000	139,212	2.250	\$ -	526,288	\$ 1,455,000	1,356,764	2,811,764
2019	1.500	700,000	132,313	2.250	-	526,287	1,490,000	1,328,443	2,818,443
2020	1.500	700,000	121,813	2.250	-	526,288	1,525,000	1,294,244	2,819,244
2021	1.750	1,400,000	111,313	2.250	-	526,287	1,400,000	1,257,756	2,657,756
2022	1.750	1,400,000	86,813	2.250	-	526,288	1,400,000	1,233,257	2,633,257
2023	2.000	150,000	62,313	2.250	15,000	526,287	165,000	1,208,756	1,373,756
2024	2.250	175,000	59,313	3.000	1,280,000	525,950	1,455,000	1,205,419	2,660,419
2025	2.250	1,300,000	55,375	3.000	265,000	487,550	1,565,000	1,163,081	2,728,081
2026	2.375	1,100,000	26,125	3.000	500,000	479,600	1,600,000	1,125,881	2,725,881
2027	-	-	-	4.000	-	464,600	-	1,084,756	1,084,756
2028	-	-	-	4.000	-	464,600	-	1,084,756	1,084,756
2029	-	-	-	4.000	-	464,600	11,025,000	1,084,756	12,109,756
2030	-	-	-	4.000	1,870,000	464,600	1,870,000	464,600	2,334,600
2031	-	-	-	4.000	1,895,000	389,800	1,895,000	389,800	2,284,800
2032	-	-	-	4.000	1,920,000	314,000	1,920,000	314,000	2,234,000
2033	-	-	-	4.000	1,950,000	237,200	1,950,000	237,200	2,187,200
2034	-	-	-	4.000	1,975,000	159,200	1,975,000	159,200	2,134,200
2035	-	-	-	4.000	2,005,000	80,200	2,005,000	80,200	2,085,200
		\$ 7,615,000	794,590		\$ 13,675,000	7,689,625	\$ 34,695,000	16,072,869	50,767,869

Crossover Refundings – February 1, 2012

On February 1, 2012, the District issued \$9,500,000 in general obligation bonds to advance refund \$4,190,000 of outstanding general obligation bonds dated November 1, 2002, and \$5,015,000 of outstanding general obligation bonds dated May 1, 2006, in a crossover refunding. The proceeds of the refunding bonds have been placed in an irrevocable escrow account and have been invested in U.S. Government Obligations which have been certified to be sufficient to pay all principal and interest due on the Series 2002 bonds after November 1, 2013, and principal and interest due on the Series 2006 bonds after December 1, 2013. The new refunding bonds have been added to the appropriate financial statements and schedules. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunded bonds. This advance refunding was undertaken to reduce total debt service payments over the next 13 years by \$1,839,215 and resulted in an economic gain of \$1,496,858.

In-Substance Defeasance – June 19, 2017

On June 19, 2017, equity from the District was used to advance refund \$2,780,000 of outstanding general obligation bonds dated July 1, 2004. \$3,412,446 has been placed in an irrevocable escrow account and has been invested in U.S. Government Obligations which have been certified to be sufficient to pay all principal and interest due on the Series 2004 bonds. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunded bonds. This advance refunding was undertaken to reduce total debt service payments over the next 7 years by \$3,676,258. The fiscal responsibility shown in prior years has allowed the District to advance refund the Series 2004 bonds and reduce future debt payments.

Revenue Bonds

Details of the District's June 30, 2017 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Dallas Center-Grimes Community School District**Notes to Financial Statements****June 30, 2017**

Year ending June 30,	Bond Issue of December 1, 2010		
	Int. Rate %	Principal	Interest
2018	5.850	\$ -	288,113
2019	5.850	-	288,112
2020	5.850	-	288,113
2021	5.850	-	288,112
2022	5.850	-	288,113
2023	5.850	-	288,112
2024	5.850	-	288,113
2025	5.850	-	288,112
2026	5.850	-	288,113
2027	5.850	-	288,112
2028	5.850	-	288,113
2029	5.850	-	288,112
2030	5.850	4,925,000	144,056
		<u>\$ 4,925,000</u>	<u>3,601,406</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$4,925,000 of bonds issued in December 2012. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 33% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$8,526,406. For the current year, \$288,112 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$2,358,558.

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

- a) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- b) Monies 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.
- c) 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.

The District did comply with all of the revenue bond provisions during the year ended June 30, 2017.

(6) Pension Plan

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

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

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

- A multiplier based on years of service.

Dallas Center-Grimes Community School District

Notes to Financial Statements

June 30, 2017

- 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 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. 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 the 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 \$1,554,698.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the District reported a liability of \$14,338,604 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 0.229923%, which was an increase of 0.008253% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$2,071,887. 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	\$ 126,725	171,125
Changes of assumptions	218,763	-
Net difference between projected and actual earnings on IPERS' investments	3,817,165	1,774,368
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	1,167,248	-
District contributions subsequent to the measurement date	1,554,698	-
Total	\$ 6,884,599	1,945,493

Dallas Center-Grimes Community School District

Notes to Financial Statements

June 30, 2017

\$1,554,698 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 Ending June, 30	Amount
2018	\$ 648,386
2019	648,386
2020	1,355,361
2021	720,081
2022	12,194
Total	\$ 3,384,408

There were no non-employer contributing entities to 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 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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	1	(0.26)
Total	100%	

Dallas Center-Grimes Community School District

Notes to Financial Statements

June 30, 2017

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50 %) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 23,197,920	\$ 14,338,604	\$ 6,861,224

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

Payables to IPERS - At June 30, 2017, the District reported payables to IPERS of \$9,546 for legally required District contributions and \$6,147 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

(7) Other Post-Employment 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 374 active and 19 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2017, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 253,000
Interest on net OPEB obligation	1,680
Adjustment to annual required contribution	<u>(2,446)</u>
Annual OPEB cost	252,234
Contributions made	<u>(240,000)</u>
Increase in net OPEB obligation	12,234
Net OPEB obligation beginning of year	<u>42,000</u>
Net OPEB obligation end of year	<u><u>\$ 54,234</u></u>

Dallas Center-Grimes Community School District

Notes to Financial Statements

June 30, 2017

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 \$240,000 to the medical plan. Plan members eligible for benefits were not required to contribute.

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	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 204,000	76.47%	\$ 48,000
June 30, 2011	204,559	76.26%	96,559
June 30, 2012	190,000	100.53%	95,559
June 30, 2013	192,658	99.14%	97,217
June 30, 2014	231,000	114.81%	63,000
June 30, 2015	231,960	114.24%	29,960
June 30, 2016	252,000	95.22%	42,000
June 30, 2017	252,234	95.15%	54,234

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 \$1,683,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,683,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$16,860,000, and the ratio of the UAAL to covered payroll was 10.0%. 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 events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2015 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 4.0% discount rate based on the District's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 4.5%. The medical trend rate is reduced 0.5% each year until reaching the 4.5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2015 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2015.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Dallas Center-Grimes Community School District**Notes to Financial Statements****June 30, 2017**

(8) Termination Benefits

The District offered a voluntary early retirement plan to its full-time, certified employees. Eligible employees must have been at least age fifty-five and must have completed fifteen years of continuous service to the District, except for administrators who must have completed ten years. Employees must have completed an application which is subject to approval by the Board of Education. The benefits are arrived at by taking the average salary over the last fifteen years times a percentage at the time of early retirement. The percentage starts at 25% at age 55 and decreases each year to 0% at age 65. Early retirement expenditures for the year ended June 30, 2017 totaled \$99,828.

(9) Risk Management

Dallas Center-Grimes Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$1,033,233 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.

(11) Related Party Transaction

The District had business transactions totaling \$961 between the District and District officials during the year ended June 30, 2017.

(12) Construction Commitment

The District entered into a contract totaling \$13,973,148 for the construction of a new elementary school building. As of June 30, 2017, costs of \$12,627,839 had been incurred against the contract. The balance of \$1,345,309 remaining as June 30, 2017 will be paid as work on the project progresses.

(13) 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

Property tax revenues of the District were reduced by the following amounts for the year ended June 30, 2017 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Grimes	Urban renewal and economic development projects	\$ 365,859
City of Dallas Center	Urban renewal and economic development projects	7,707
City of Urbandale	Urban renewal and economic development projects	148,629

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2017, the District did not receive any reimbursement.

Dallas Center-Grimes Community School District

Notes to Financial Statements

June 30, 2017

(14) Restatement

Beginning net position for governmental activities was restated to adjust for a recalculation of construction in progress.

	Governmental Activities
Net position June 30, 2016, as previously reported	\$ 27,834,879
Adjustment to previously recognized construction in progress	<u>866,072</u>
Net position July 1, 2016, as restated:	<u>\$ 28,700,951</u>

(15) 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.

The District also early implemented guidance set forth in Governmental Accounting Standards Board Statement No. 86, Certain Debt Extinguishment Issues. The Statement sets forth guidance for the accounting and financial reporting for in-substance defeasance of debt for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt.

(16) 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.

Required Supplementary Information

Dallas Center-Grimes Community School District

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances

Budget and Actual - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2017

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance-Favorable (Unfavorable)
				Original	Final	
Revenues:						
Local sources	\$ 19,714,236	1,097,102	20,811,338	20,422,121	20,422,121	389,217
State sources	18,465,973	10,428	18,476,401	21,267,452	21,267,452	(2,791,051)
Federal sources	736,963	439,155	1,176,118	941,333	941,333	234,785
Total revenues	38,917,172	1,546,685	40,463,857	42,630,906	42,630,906	(2,167,049)
Expenditures/Expenses:						
Instruction	19,074,382	-	19,074,382	20,180,217	23,437,948	4,363,566
Support services	9,159,589	22,146	9,181,735	13,591,760	13,591,760	4,410,025
Non-instructional programs	-	1,561,654	1,561,654	1,425,450	1,558,400	(3,254)
Other expenditures	16,911,477	-	16,911,477	21,938,008	21,938,008	5,026,531
Total expenditures/expenses	45,145,448	1,583,800	46,729,248	57,135,435	60,526,116	13,796,868
Excess (deficiency) of revenues over (under) expenditures/expenses	(6,228,276)	(37,115)	(6,265,391)	(14,504,529)	(17,895,210)	11,629,819
Other financing sources (uses), net	(3,412,446)	11,640	(3,400,806)	-	-	(3,400,806)
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(9,640,722)	(25,475)	(9,666,197)	(14,504,529)	(17,895,210)	8,229,013
Balance beginning of year	28,833,629	566,982	29,400,611	27,916,314	27,916,314	1,484,297
Balance end of year	\$ 19,192,907	541,507	19,734,414	13,411,785	10,021,104	9,713,310

See accompanying independent auditor's report.

Dallas Center-Grimes 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 comparisons for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$3,390,681.

During the year ended June 30, 2017, expenditures exceeded the amount budgeted in the non-instructional programs area.

Dallas Center-Grimes Community School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Iowa Public Employee's Retirement System
For The Last Three Years* (In Thousands)
Required Supplementary Information

	2017	2016	2015
District's proportion of the net pension liability	0.229923%	0.221670%	0.205702%
District's proportionate share of the net pension liability	\$ 14,339	11,020	8,325
District's covered-employee payroll	\$ 16,341	15,282	13,736
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.75%	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.

Dallas Center-Grimes Community School District

Schedule of District Contributions

Iowa Public Employees' Retirement System

For The Last Ten Years (In Thousands)

Required Supplementary Information

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Statutorily required contribution	\$ 1,555	1,459	1,365	1,227	1,085	952	778	688	642	530
Contributions in relation to the statutorily required contribution	(1,555)	(1,459)	(1,365)	(1,227)	(1,085)	(952)	(778)	(688)	(642)	(530)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 17,411	16,341	15,282	13,736	12,514	11,802	11,198	10,341	10,113	8,753
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%	6.06%

See accompanying independent auditor's report.

Dallas Center-Grimes 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 rated 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.

Dallas Center-Grimes Community School District
Schedule of Funding Progress for the Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	2,190,000	2,190,000	0.0%	\$ 10,300,000	21.3%
2011	July 1, 2009	-	2,190,000	2,190,000	0.0%	10,800,000	20.3%
2012	July 1, 2011	-	1,968,000	1,968,000	0.0%	11,400,000	17.3%
2013	July 1, 2011	-	1,968,000	1,968,000	0.0%	12,500,000	15.7%
2014	July 1, 2013	-	2,016,000	2,016,000	0.0%	13,000,000	15.5%
2015	July 1, 2013	-	2,016,000	2,016,000	0.0%	14,800,000	13.6%
2016	July 1, 2015	-	1,683,000	1,683,000	0.0%	15,880,000	10.6%
2017	July 1, 2015	-	1,683,000	1,683,000	0.0%	16,860,000	10.0%

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

See accompanying independent auditor's report.

Supplementary Information

Schedule 1

**Dallas Center-Grimes Community School District
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2017**

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 597,446	217,825	815,271
Receivables:			
Property tax:			
Delinquent	2,186	-	2,186
Succeeding year	580,000	-	580,000
Accounts	-	5,145	5,145
Total assets	\$ 1,179,632	222,970	1,402,602
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	16,967	16,967
Total liabilities	-	16,967	16,967
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	580,000	-	580,000
Total deferred inflows of resources	580,000	-	580,000
Fund balances:			
Restricted for:			
Management levy purposes	599,632	-	599,632
Student activities	-	206,003	206,003
Total fund balances	599,632	206,003	805,635
Total liabilities, deferred inflows of resources and fund balances	\$ 1,179,632	222,970	1,402,602

See accompanying independent auditor's report.

Schedule 2

Dallas Center-Grimes Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year ended June 30, 2017

	Special Revenue		
	Management	Student	
	Levy	Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 724,369	-	724,369
Other	30,116	530,558	560,674
State sources			
Total revenues	37,638	-	37,638
	<u>792,123</u>	<u>530,558</u>	<u>1,322,681</u>
Expenditures:			
Current:			
Instruction:			
Regular	111,419	-	111,419
Other	-	539,130	539,130
Support Services:			
Operation and maintenance of plant	272,501	-	272,501
Total expenditures	<u>383,920</u>	<u>539,130</u>	<u>923,050</u>
Excess (deficiency) of revenues over (under) expenditures	408,203	(8,572)	399,631
Fund balances beginning of year	<u>191,429</u>	<u>214,575</u>	<u>406,004</u>
Fund balances end of year	<u>\$ 599,632</u>	<u>206,003</u>	<u>805,635</u>

See accompanying independent auditor's report.

Schedule 3

Dallas Center-Grimes Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2017

Account	\$	Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
HS Annual	\$ 612		355	150		817
HS Art Club	1,157		-	-	-	1,157
Athletics	20,071		46,279	38,426	(16,204)	11,720
Athletics Resale	-		35,828	31,838	-	3,990
HS/MS/Elem Band Resale	955		6,416	14,224	6,853	-
Baseball	-		10,575	13,649	3,074	-
Boosters	-		55,064	55,064	-	-
Boys/Girls Basketball	3,641		53,757	56,037	-	1,361
Character Counts	418		-	148	-	270
Class of:						
2016	4,848		-	-	(4,848)	-
2017	3,332		996	10,888	6,560	-
2018	5,781		3,593	2,365	-	7,009
2019	3,070		2,607	-	-	5,677
2020	-		2,792	-	-	2,792
Cross Country	-		2,515	3,584	1,069	-
DC Presbyter Student Emergency Fund	2,926		-	1,095	(1,831)	-
Dance Team	-		844	7,027	6,183	-
Dig Pink Volleyball	-		129	-	-	129
Drama/Speech	-		-	5,889	5,889	-
Drill Team	319		250	-	-	569
Equip Repair	-		1,562	143	(1,419)	-
Football	11,445		64,917	50,721	(12,287)	13,354
HS French Club	685		-	-	-	685
FFA	5,674		20,787	20,596	-	5,865
FHA	2,140		-	-	-	2,140
Girls Softball	-		6,065	14,209	8,144	-
Golf	-		60	7,596	7,536	-
HS Bakers	-		663	1,009	346	-
HS Enterprise	272		3,899	5,089	918	-
HS Student Council	9,769		4,260	2,563	-	11,466
HS Honor Society	2,728		1,123	998	-	2,853
HS Cheerleading	-		5,224	6,726	1,502	-
HS Dance Marathon	396		5,415	5,261	-	550
HS Juice/Pop Machine	3,706		14,071	5,613	449	12,613
HS Sign-Monument Fundraiser	68		3,570	-	(3,425)	213
HS Band/Vocal Fundraiser	1,150		75	-	-	1,225
Horticulture Club	891		-	-	-	891
Interest	7,037		870	500	-	7,407
Soccer	651		10,439	11,244	154	-
HS Drama/Musical	5,536		3,652	1,097	(6,325)	1,766
MS Drama/Musical	3,069		-	-	(412)	2,657
P.A.L.S.	4,891		-	796	-	4,095

Schedule 3

Dallas Center-Grimes Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2017

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Picture Fund	8,194	9,332	14,171	-	3,355
SADD	380	-	-	-	380
Spanish Club	638	-	-	-	638
Track	3,099	9,654	10,998	-	1,755
Volleyball	-	8,742	7,758	-	984
Washington DC fundraiser	-	1,307	1,031	-	276
Wind Commissioning Project	1,000	-	-	-	1,000
Wrestling	1,164	12,643	12,496	829	2,140
Meadows Yearbook	723	225	-	-	948
HS/MS/Elem Vocal Resale	-	20,015	20,427	412	-
Jr. High Annual	7,193	-	-	-	7,193
Jr. High Cheerleading	1,906	-	-	-	1,906
Jr. High Juice/Pop Machine	24,024	4,335	8,985	-	19,374
Jr. High Student Council	11,226	32,453	29,971	-	13,708
MS Athletics	5,729	4,253	6,815	(3,167)	-
MS Band/Vocal Fundraiser	3,398	-	-	-	3,398
Northridge Fundraiser	6,153	11,859	9,794	-	8,218
Meadows Pop Fundraiser	117	2,887	2,286	-	718
Meadows Student Council	4,196	1,904	1,438	-	4,662
Kiwanis Key Club	533	4,568	3,899	-	1,202
Seniors Against Cancer 2010	36	-	-	-	36
K. Reed Baseball Fundraiser	327	-	-	-	327
FFA Test Plot	4,364	7,825	2,519	-	9,670
Elementary Juice - Grimes	350	1,111	-	-	1,461
Elementary Fundraiser - Grimes	16,061	17,170	23,498	-	9,733
Elementary Fundraiser - D.C.	6,177	11,623	8,499	-	9,301
Elementary Student Council	349	-	-	-	349
Total	\$ 214,575	530,558	539,130	-	206,003

See accompanying independent auditor's report.

Schedule 4

**Dallas Center-Grimes Community School District
Combining Balance Sheet
Capital Projects Fund Accounts
June 30, 2017**

Capital Projects				
	Statewide Sales, Services and Use Tax	Other Capital Projects	Physical Plant and Equipment Levy	Total
Assets				
Cash, cash equivalents and pooled investments	\$ 4,771,033	2,724,589	1,947,483	9,443,105
Receivables:				
Property tax:				
Delinquent	-	-	4,126	4,126
Succeeding year	-	-	1,507,417	1,507,417
Total assets	\$ 4,771,033	2,724,589	3,459,026	10,954,648
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 170,206	1,195,382	146,142	1,511,730
Total liabilities	170,206	1,195,382	146,142	1,511,730
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	1,507,417	1,507,417
Total deferred inflows of resources	-	-	1,507,417	1,507,417
Fund balances:				
Restricted for:				
School infrastructure	4,600,827	1,529,207	-	6,130,034
Physical plant and equipment	-	-	1,805,467	1,805,467
Total fund balances	4,600,827	1,529,207	1,805,467	7,935,501
Total liabilities, deferred inflows of resources and fund balances	\$ 4,771,033	2,724,589	3,459,026	10,954,648

See accompanying independent auditor's report.

Schedule 5

Dallas Center-Grimes 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	Other Capital Projects	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$ -	-	1,390,579	1,390,579
Other	37,824	34,547	53,837	126,208
State sources	2,358,558	-	63,295	2,421,853
Total revenues	2,396,382	34,547	1,507,711	3,938,640
Expenditures:				
Current:				
Support services:				
Administration	40,147	-	130,521	170,668
Operation and maintenance of plant	-	-	26,586	26,586
Transportation	-	-	59,539	59,539
Other expenditures:				
Facilities acquisition	490,975	11,277,905	850,751	12,619,631
Total expenditures	531,122	11,277,905	1,067,397	12,876,424
Excess (deficiency) of revenues over (under) expenditures	1,865,260	(11,243,358)	440,314	(8,937,784)
Other financing sources (uses):				
Operating transfers out	(555,713)	-	-	(555,713)
Total other financing uses	(555,713)	-	-	(555,713)
Change in fund balances	1,309,547	(11,243,358)	440,314	(9,493,497)
Fund balances beginning of year	3,291,280	12,772,565	1,365,153	17,428,998
Fund balances end of year	\$ 4,600,827	1,529,207	1,805,467	7,935,501

See accompanying independent auditor's report.

Schedule 6

Dallas Center-Grimes Community School District
Combining Statement of Net Position
Proprietary Funds
June 30, 2017

	Enterprise Funds			
	School Nutrition	Student Construction	Farm Account	Total
Assets				
Current assets:				
Cash, cash equivalents and pooled investments	\$ 279,736	31,392	15,264	326,392
Accounts receivable	-	539	-	539
Inventories	20,709	-	-	20,709
Total current assets	300,445	31,931	15,264	347,640
Non-current assets:				
Machinery and equipment	697,532	-	-	697,532
Accumulated depreciation	(503,029)	-	-	(503,029)
Total non-current assets	194,503	-	-	194,503
Total assets	494,948	31,931	15,264	542,143
Liabilities				
Current liabilities:				
Accounts payable	97	539	-	636
Total current liabilities	97	539	-	636
Total liabilities	97	539	-	636
Net position				
Net investment in capital assets	194,503	-	-	194,503
Unrestricted	300,348	31,392	15,264	347,004
Total net position	\$ 494,851	31,392	15,264	541,507

See accompanying independent auditor's report.

Schedule 7

Dallas Center-Grimes Community School District
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year ended June 30, 2017

	Enterprise Funds			
	School Nutrition	Student Construction	Farm Account	Total
Operating revenue:				
Local sources:				
Other local sources:				
Food service sales	\$ 1,091,616	-	-	1,091,616
Other operating revenue	-	648	2,415	3,063
Total operating revenues	1,091,616	648	2,415	1,094,679
Operating expenses:				
Instructional programs:				
Support services:				
Services	-	17,000	-	17,000
Supplies	-	4,078	1,068	5,146
Total support services	-	21,078	1,068	22,146
Non-instructional programs:				
Food service operations:				
Services	1,341,604	-	-	1,341,604
Supplies	187,584	-	-	187,584
Depreciation	32,466	-	-	32,466
Total food service operations	1,561,654	-	-	1,561,654
Total operating expenses	1,561,654	21,078	1,068	1,583,800
Operating income (loss)	(470,038)	(20,430)	1,347	(489,121)
Non-operating revenues:				
State lunch and breakfast program claims	10,428	-	-	10,428
National school lunch program	302,271	-	-	302,271
National school breakfast program	38,512	-	-	38,512
Federal food commodities revenue	98,372	-	-	98,372
Contributions	-	1,770	-	1,770
Interest income	653	-	-	653
Total non-operating revenues	450,236	1,770	-	452,006
Income (loss) before other sources (uses)	(19,802)	(18,660)	1,347	(37,115)
Other sources (uses)				
Capital contributions	11,640	-	-	11,640
Total other sources	11,640	-	-	11,640
Change in net position	(8,162)	(18,660)	1,347	(25,475)
Net position beginning of year	503,013	50,052	13,917	566,982
Net position end of year	\$ 494,851	31,392	15,264	541,507

See accompanying independent auditor's report.

Schedule 8

Dallas Center-Grimes Community School District
Combining Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2017

Enterprise Funds				
	School Nutrition	Student Construction	Farm Account	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 1,093,007	-	-	1,093,007
Cash received from miscellaneous operating activities	-	648	2,415	3,063
Cash payments to suppliers for goods or services	(1,476,263)	(21,459)	(1,068)	(1,498,790)
Net cash provided (used) by operating activities	(383,256)	(20,811)	1,347	(402,720)
Cash flows from non-capital financing activities:				
State grants received	10,428	-	-	10,428
Federal grants received	340,783	-	-	340,783
Net cash provided by non-capital financing activities	351,211	-	-	351,211
Cash flows from capital and related financing activities:				
Contributions	-	1,770	-	1,770
Net cash provided by capital and related financing activities	-	1,770	-	1,770
Cash flows from investing activities:				
Interest on investments	653	-	-	653
Net increase (decrease) in cash and cash equivalents	(31,392)	(19,041)	1,347	(49,086)
Cash and cash equivalents at beginning of year	311,128	50,433	13,917	375,478
Cash and cash equivalents at end of year	\$ 279,736	31,392	15,264	326,392
Reconciliation of operating income (loss) to net cash used by operating activities:				
Operating income (loss)	\$ (470,038)	(20,430)	1,347	(489,121)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Commodities received	98,372	-	-	98,372
Depreciation	32,466	-	-	32,466
Decrease (increase) in accounts receivable	1,391	-	-	1,391
Decrease (increase) in inventories	1,019	-	-	1,019
Increase (decrease) in accounts payable	(46,466)	(381)	-	(46,847)
Net cash used by operating activities	\$ (383,256)	(20,811)	1,347	(402,720)
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:				
Current assets:				
Cash and investments	\$ 279,736	31,392	15,264	326,392
Cash and cash equivalents at year end	\$ 279,736	31,392	15,264	326,392

Non-cash investing, capital and financing activities:

During the year ended June 30, 2017, the District received \$98,372 of federal commodities.

See accompanying independent auditor's report.

Schedule 9

Dallas Center-Grimes Community School District
Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year ended June 30, 2017

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 32,583	138,365	113,701	57,247
Total assets	\$ 32,583	138,365	113,701	57,247
Liabilities				
Accounts payable	\$ 32,583	138,365	113,701	57,247
Total liabilities	\$ 32,583	138,365	113,701	57,247

See accompanying independent auditor's report.

Schedule 10

Dallas Center-Grimes Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	Modified Accrual Basis									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Local sources:										
Local tax	\$ 14,847,680	13,075,546	12,272,534	11,884,997	12,649,685	12,949,278	12,739,378	11,363,921	10,619,714	9,825,186
Tuition	2,733,064	2,517,722	2,236,592	2,160,260	1,880,643	1,980,567	1,500,763	1,395,539	1,012,133	843,932
Other	2,133,492	2,024,313	1,895,944	2,146,295	1,149,854	1,066,535	950,438	857,296	1,086,116	1,020,355
State sources	18,465,973	16,689,892	15,091,801	13,584,833	10,203,422	9,543,447	8,604,944	7,016,341	8,078,842	7,211,170
Federal sources	736,963	631,454	498,934	535,750	1,294,504	1,545,858	1,024,959	1,428,832	572,324	305,557
Total	\$ 38,917,172	34,938,927	31,995,805	30,312,135	27,178,108	27,085,685	24,820,482	22,061,929	21,369,129	19,206,200
Expenditures:										
Instruction:										
Regular	\$ 11,613,216	11,181,345	10,722,326	9,568,759	9,017,465	8,501,484	7,849,462	7,355,452	7,088,478	6,290,307
Special	3,083,743	4,435,322	3,883,233	3,588,540	3,119,983	2,755,783	2,634,941	2,641,397	2,553,384	2,043,222
Other	4,377,423	2,085,479	2,147,323	1,815,048	1,641,719	1,588,602	1,348,211	1,268,276	1,403,303	1,118,647
Support services:										
Student	771,241	762,618	634,873	598,037	490,337	460,271	447,669	304,895	280,913	308,091
Instructional staff	2,197,720	1,783,497	1,238,643	1,057,144	859,640	762,515	674,401	622,790	625,916	728,554
Administration	2,467,466	2,632,356	2,957,997	2,711,628	2,118,846	2,032,968	2,031,545	1,849,610	1,574,775	1,266,285
Operation and maintenance of plant	2,587,132	2,763,862	3,025,115	2,718,926	2,227,993	2,253,378	1,955,381	1,924,219	1,906,595	1,711,100
Transportation	1,136,030	1,260,699	1,097,040	1,402,211	1,252,583	1,002,860	945,413	922,979	734,216	908,382
Other expenditures:										
Facilities acquisition	12,619,631	3,332,373	2,197,567	2,610,141	2,648,167	15,272,641	2,222,456	414,834	1,685,470	6,838,285
Long-term debt:										
Principal	1,430,000	1,535,000	1,365,000	1,310,000	1,075,000	1,245,000	1,160,000	1,285,301	1,703,506	1,761,407
Interest and other charges	1,828,613	1,787,846	1,353,558	1,386,846	1,872,183	2,062,644	1,058,320	1,011,053	1,031,399	1,092,893
AEA flowthrough	1,033,233	960,969	904,670	823,740	729,350	700,651	731,714	689,348	602,958	528,510
Total	\$ 45,145,448	34,521,366	31,527,345	29,591,020	27,053,266	38,638,797	23,059,513	20,290,154	21,190,913	24,595,683

See accompanying independent auditor's report.

Schedule 11

Dallas Center-Grimes Community School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2017

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 17	\$ 38,512
National School Lunch Program	10.555	FY 17	400,643
			<u>439,155</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 17	<u>126,012</u>
Career and Technical Education - Basic Grants to States	84.048	FY 17	<u>83,732</u>
Special Education - State Personnel Development Grants	84.323	FY 17	5,000
Advanced Placement Program	84.330	FY 17	<u>494</u>
English Language Acquisition State Grants	84.365	FY 17	3,480
Improving Teacher Quality State Grants	84.367	FY 17	<u>21,975</u>
Grants for State Assessments and Related Activities	84.369	FY 17	<u>5,506</u>
Area Education Agency:			
Special Education - Grants to States	84.027	FY 17	<u>109,106</u>
Total			\$ <u>794,460</u>

See Notes to Schedule of Expenditures of Federal Awards.

Dallas Center-Grimes School District
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards(Schedule) includes the federal award activity of Dallas Center-Grimes Community School District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Dallas Center-Grimes Community School District, it is not intended to and does not present the financial position, changes in financial position or cash flows of Dallas Center-Grimes Community School District.

Note 2. Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles on OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Note 3. Indirect Cost Rate

Dallas Center-Grimes Community School District has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4. Noncash Assistance

The schedule includes federal awards in the form of noncash assistance (commodities) received during the year in the amount of \$98,372 related to USDA Commodities grants provided by the U.S. Department of Agriculture passed through the Iowa Department of Education, CFDA No. 10.555.

Note 5. Pass-through Funding

Of the federal expenditures presented in the Schedule, the District provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Career and Technical Education - Basic Grants to States	84.048	\$ 64,681

Dallas Center-Grimes Community School District



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Van Maanen, Sietstra, Meyer & Nikkel, PC
CERTIFIED PUBLIC ACCOUNTANTS

**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 Dallas Center-Grimes Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Dallas Center-Grimes 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 November 29, 2017.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified.

Compliance and Other Matters

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

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.

Dallas Center-Grimes School District's Responses to the Findings

Dallas Center-Grimes Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Dallas Center-Grimes 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 results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Dallas Center-Grimes 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.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

November 29, 2017



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CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Compliance for Each Major Federal Program and
on Internal Control over Compliance Required by the Uniform Guidance**

To the Board of Education of Dallas Center-Grimes Community School District:

Report on Compliance for Each Major Federal Program

We have audited Dallas Center-Grimes Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017. Dallas Center-Grimes Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Dallas Center-Grimes Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dallas Center-Grimes Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each of the major federal programs. However, our audit does not provide a legal determination of Dallas Center-Grimes Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Dallas Center-Grimes Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

The management of Dallas Center-Grimes Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Dallas Center-Grimes Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Dallas Center-Grimes Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

November 29, 2017

Dallas Center-Grimes Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2017

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516(a).
- (g) Major programs were as follows:
 - Child Nutrition Cluster:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Dallas Center-Grimes Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-17 Certified Budget - Expenditures for the year ended June 30, 2017, exceeded the certified budget amount in the non-instructional programs area.

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

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

Dallas Center-Grimes Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2017

Conclusion - Response accepted.

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

IV-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.

IV-D-17 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and <u>Business Connection</u>	Transaction <u>Description</u>	<u>Amount</u>
Dennis Blum, Father of Principal	Officiating	\$165
Ethan Blum, Son of Principal	Services	\$296
Chelsea Eilers, Child of Board Member	Scholarship	\$500

None of the transactions appear to represent a conflict of interest and they appear to be in compliance with board policies.

Recommendation – The District may want to consult legal counsel to determine disposition of this matter.

Response – We will consider the need to consult legal counsel.

Conclusion – Response accepted.

IV-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 coverage is adequate for current operations.

IV-F-17 Board Minutes - No transactions were noted requiring Board approval which had not been approved by the Board.

IV-G-17 Certified Enrollment - Variances in the basic enrollment data certified to the Department of Education were noted.

Recommendation – The certified enrollment data should be corrected.

Response – The Iowa Department of Education and the Iowa Department of Management will be notified of the errors.

Conclusion – Response accepted.

IV-H-17 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-17 Deposits and Investments - No instances of noncompliance were noted with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy.

IV-J-17 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

IV-K-17 Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.

Dallas Center-Grimes Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2017

IV-L-17 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of 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 District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance	\$	3,291,280
Revenues:		
Sales tax revenues	\$	2,358,558
Other local revenues		37,824
		<u>2,396,382</u>
		5,687,662
Expenditures/transfers out:		
School infrastructure construction		490,975
Equipment		40,147
Transfers to other funds:		
Debt service fund		<u>555,713</u>
		<u>1,086,835</u>
Ending balance	\$	<u>4,600,827</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.