GRANT WOOD AREA EDUCATION AGENCY 10

CEDAR RAPIDS, IOWA

INDEPENDENT AUDITOR'S REPORTS

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2017

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Officials

Name	Title	Term Expires
	Board of Directors	
James C. Green	President	September 30, 2019
Dr. Lynne Cannon	Vice President	September 30, 2019
Sue Gates	Member	September 30, 2017
Randy Bauer	Member	September 30, 2017
Marlene L. Hill	Member	September 30, 2019
Pamela Jacobs	Member	September 30, 2017
Mary Meisterling	Member	September 30, 2019
Robert Schneider (resigned November 10, 2016)	Member	September 30, 2019
Marilyn Wirtz	Member	September 30, 2017
Mike Jorgenson (appointed January 5, 2017; resigned June 30, 2017)	Member	September 30, 2019
	Agency	
Joe Crozier	Chief Administrator	Indefinite
Kim Martin	Board Secretary	Indefinite
Barbara Harms	Board Treasurer/Business Manager	Indefinite

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Certified Public Accountants and Consultants

Independent Auditor's Report

Board of Directors
Grant Wood Area Education Agency 10
Cedar Rapids, Iowa

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Grant Wood Area Education Agency 10 as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, as 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 accounting principles generally accepted in the United States of America; 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 auditing standards generally accepted in the United States of America 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 Agency'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 Agency'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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Grant Wood Area Education Agency 10 as of June 30, 2017, and the respective changes in financial position, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of proportionate share of the net pension liability, the schedule of contributions and the schedule of funding progress for the retiree health plan on pages 5 through 11 and 35 through 40 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 auditing standards generally accepted in the United States of America, 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 Grant Wood Area Education Agency 10'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 six years ended June 30, 2016 (which are not presented herein) and expressed an unmodified opinion on those financial statements. The financial statements for the three years ended June 30, 2010 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the third paragraph of this report who expressed unmodified opinions on those financial statements. The supplementary information on pages 41 through 46, including the schedule of expenditures of federal awards required by Title 2 U.S. Code of Federal Regulations (CFR) 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. Such 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. The information has been subjected to the auditing procedures applied in our 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2017 on our consideration of Grant Wood Area Education Agency 10's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Grant Wood Area Education Agency 10's internal control over financial reporting and compliance.

Hogan - Hansen

HOGAN - HANSEN

Mason City, Iowa
November 10, 2017

GRANT WOOD AREA EDUCATION AGENCY 10
MANAGEMENT'S DISCUSSION AND ANALYSIS

Grant Wood Area Education Agency 10 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 Agency's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- General Fund revenue increased from $52,234,512 in fiscal year 2016 (FY 16) to $53,222,841 in fiscal year 2017 (FY 17), an increase of $988,329. General Fund expenditures increased from $51,761,751 in FY 16 to $53,567,022 in FY 17, an increase of $1,805,271. General Fund net change in fund balance was ($1,604,533) in FY 16 compared to ($1,363,382) in FY 17. This resulted in a decrease in the Agency's General Fund fund balance from $10,815,199 in FY 16 to $9,451,817 in FY 17.

- The increase in General Fund expenditures was primarily due to increases in student support and instructional staff support services of approximately $1.5 million, which included compensation increases for staff of 3.1-3.7%. There were also expenditures for technology equipment and furniture and facility updates of approximately $300,000 in the current year. The increases in expenditures were offset by increases in revenue from local property tax and sale of services revenue of approximately $890,000, as well as an increase of approximately $297,000 in state funding including both state formula aid and categorical programs. Federal revenue decreased $198,000 due to a reduction of i3 mentoring funds.

USING THIS ANNUAL REPORT

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

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

- The Government-Wide Financial Statements consist of a statement of net position and a statement of activities. These provide information about the activities of Grant Wood Area Education Agency 10 as a whole and present an overall view of the Agency's finances.

- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Agency's operations in more detail than the Government-wide statements by providing information about the most significant funds.

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

- Required Supplementary Information further explains and supports the financial statements with a comparison of the Agency's budget for the year, the Agency's proportionate share of the net pension liability and related contributions, as well as presenting the schedule of funding progress for the retiree health plan.

- Supplementary Information provides detailed information about the nonmajor funds. In addition, the schedule of expenditures of federal awards provides details of various federal programs benefiting the Agency.

Reporting the Agency's Financial Activities

Government-Wide Financial Statements

The Government-wide statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Agency's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year revenue 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 Agency's net position and how it has changed. Net position is one way to measure the Agency's financial health or financial position. Over time, increases or decreases in the Agency's net position is an indicator of whether financial position is improving or deteriorating. To assess the Agency's overall health, additional nonfinancial factors, such as changes in the Agency's property tax base and the condition of its facilities, need to be considered.

In the Government-wide financial statements, the Agency's activities are reported in the following category:

- *Governmental activities:* The Agency's basic services are included here, such as regular and special education instruction, student and instructional staff support services and administration. Local school districts, federal and state aid finance most of these activities.

Fund Financial Statements

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

Some funds are required by state law or by bond covenants. The Agency establishes other funds to control and manage money for particular purposes, such as accounting for major construction projects or to show that it is properly using certain revenue, such as federal grants.

The Agency has two kinds of funds:

1. Governmental funds account for the Agency's basic services. These focus on how cash and other financial assets readily converted to cash flow in and out and the balances left at year end 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 Agency's programs. The Agency's governmental funds include: (a) the General Fund, (b) the Special Revenue Funds and (c) the Capital Projects Fund.

   The required financial statements for governmental funds include a balance sheet and a statement of revenue, expenditures and changes in fund balances.

2. Fiduciary funds are funds through which the Agency administers and accounts for certain federal and/or state grants as a fiscal agent. The Agency is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The Agency excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Grant Wood Area Education Agency 10's net position as of the end of FY 17 was a deficit of approximately ($2.8) million compared to approximately ($2.3) million as of the end of FY 16. The analysis that follows focuses on the net position and changes in net position.

	Condensed Statement of Net Position Governmental Activities June 30,	
	2017	**2016**
Assets		
Current and other assets	$ 18,402,188	$ 18,307,114
Capital assets	6,741,600	5,593,557
Total Assets	**25,143,788**	**23,900,671**
Deferred Outflows of Resources	**7,515,870**	**3,889,292**
Total Assets and Deferred Outflows of Resources	**$ 32,659,658**	**$ 27,789,963**
Liabilities		
Long-term obligations	$ 27,655,423	$ 22,419,867
Other liabilities	6,919,702	5,419,686
Total Liabilities	**34,575,125**	**27,839,553**
Deferred Inflows of Resources	**918,012**	**2,250,439**
Net Position		
Net investment in capital assets	6,741,600	5,593,557
Restricted	2,294,323	2,359,923
Unrestricted	(11,869,402)	(10,253,509)
Total Net Position	**(2,833,479)**	**(2,300,029)**
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 32,659,658**	**$ 27,789,963**

The Agency's total net position decreased 23.2%, or $533,450, from FY 16. The decrease in total net position and unrestricted net position was primarily due to an increase in expenses in the current year.

The following analysis details the changes in net position resulting from the Agency's activities.

	Changes in Net Position Governmental Activities June 30, 2017	2016
Revenue		
Program Revenue		
Charges for service	$ 8,095,030	$ 7,730,468
Operating grants and contributions	20,105,898	20,008,777
General Revenue (Expense)		
Property tax	13,004,104	12,630,927
State foundation aid	14,131,168	14,095,930
Unrestricted investment earnings	16,424	19,146
Gain (loss) on disposal of capital assets	530,112	(3,192)
Total Revenue	**55,882,736**	**54,482,056**
Program Expenses		
Instruction	2,622,651	2,466,170
Student support services	23,522,112	22,244,169
Instructional staff support	18,623,591	17,929,961
General administration	1,895,114	1,812,187
Building administration	2,829,063	2,810,846
Business and central administration	3,650,332	3,645,917
Purchasing, distributing, printing, publishing and duplicating	876,902	872,896
Plant operations and maintenance	1,487,795	1,384,510
Central and other support services	3,549	4,563
Noninstructional programs	731,473	696,164
Depreciation/amortization (unallocated)	173,604	182,094
Total Expenses	**56,416,186**	**54,049,477**
Excess (Deficiency) Before Equity Transfer to IAAEA	**(533,450)**	**432,579**
Equity transfer to IAAEA	—	(68,470)
Change in Net Position	**(533,450)**	**364,109**
Net Position - Beginning of Year	(2,300,029)	(2,664,138)
Net Position - End of Year	**$ (2,833,479)**	**$ (2,300,029)**

Property tax and state foundation aid account for 48.6% of the total revenue while operating grants and contributions from local, state and federal sources account for 36.0% of the total revenue. The Agency's expenses primarily relate to student and instructional staff support services, which account for 74.7% of total expenses.

GOVERNMENTAL ACTIVITIES

The increase in total revenue is primarily due to the gain from the sale of the Coralville building of approximately $530,000, as well as an increase in local revenue for charges for service of approximately $365,000. There were also increases in property tax and state aid driven by the state formula which accounted for approximately $408,000 of the funding increase.

The increase in total expenses is primarily due to compensation package increases for staff of approximately $1.37 million, plus additional one-time expenses for facility upgrades and new technology equipment.

INDIVIDUAL FUND ANALYSIS

As previously noted, Grant Wood Area Education Agency 10 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Agency's governmental funds reported combined fund balances of $9,563,640, which is a decrease from last year's ending fund balances of $10,926,938.

The decrease was mainly due to current expenditures exceeding revenue, which was an intentional plan by the Agency to reduce fund balances and maximize services provided to local school districts.

General Fund Highlights

The Agency's decreasing General Fund financial position is the product of many factors, including an intentional plan by the Agency to reduce fund balance levels and maximize services provided to local school districts.

The General Fund balance decreased from $10,815,199 to $9,451,817 due to the Agency's long-term fiscal plan to reduce the fund balance level to 10% of expenditures. This was done by increasing staff serving local school districts, as well as replacements and upgrades of furniture and equipment.

The Special Revenue, Off-Site Programs Fund revenue and expenditures were consistent when compared to the prior year. The ending fund balance increased $84 from the prior year to $4,998.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Agency amended its budget once. Revenue was primarily adjusted to reflect decreases in state funding related to the AEA reduction in special education.

Expenditures were primarily adjusted to reflect an increase in facilities acquisition and construction expenditures for the building renovation at the 33rd Avenue facility, and also a decrease in expenditures related to the AEA reduction in special education.

The Agency's total revenue was $171,245 more than total budgeted revenue, a variance of 0.3%. Total expenditures were $257,504 more than budgeted, a variance of 0.5%.

A schedule showing the original and final budget amounts compared to the Agency's actual financial activity is included in the Required Supplementary Information section of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2017, the Agency had invested $6,741,600, net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, computers, equipment, intangibles and an extensive library/media collection. This is a net increase of $1,148,043 from last year. The increase was primarily due to construction-in-progress for building renovations at the 33rd Avenue facility and updated furniture for that space.

Grant Wood Area Education Agency 10 reported depreciation/amortization expense of $1,119,316 in FY 17 and total accumulated depreciation/amortization of $12,732,036 as of June 30, 2017. More detailed information about capital assets is presented in Note 5 to the financial statements.

Long-Term Liabilities

The Agency had no long-term debt outstanding as of June 30, 2017 or 2016.

As of June 30, 2017, the Agency had $27,655,423 of long-term liabilities outstanding compared to $22,419,867 as of June 30, 2016. The long-term liabilities are in the form of compensated absences, net pension liability and net OPEB liability. More detailed information about the Agency's long-term liabilities is available in Note 6 to the financial statements.

ECONOMIC FACTORS BEARING ON THE AGENCY'S FUTURE

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

- State and federal funding levels continue to be an area of concern. Growth in state funding to schools and AEAs has been at historic lows, with 1.25% for FY 16, 2.25% for FY 17 and 1.1% for FY 18. The legislature did not set the funding level for FY 19, so that is a critical unknown heading into budget planning. The AEA system also has had continuing reductions for FY 16 ($15 million), FY 17 ($18.75 million) and FY 18 ($15 million), which equates to $1,943,069, $2,428,839 and $1,943,069, respectively, for the Agency. Federal funding reductions are also possible based on the current political climate. The Agency plans to utilize available fund balance to offset the impact of state and federal funding cuts.

- Future enrollment stability is a critical element in maintaining a sound financial foundation. The Agency has been fortunate to have overall increasing enrollment in our service area. Certified enrollment counts for 2013 through 2016 reflect modest increases (1.4%, 0.6%, 0.9% and 1.3%, respectively).

- Approximately 70% of all expenditures are related to staff salaries and benefits, and in past years growth in wages and increased benefit costs have outpaced the increase in state-controlled funding. Last legislative session there were significant changes to the collective bargaining process for all schools and AEAs. The Agency entered into a three-year agreement with the compensation package for FY 19 and FY 20 to be determined based on the combined percentage of supplemental state aid and the change in AEA served enrollment. Funds will first be used to pay the costs of benefit increases, with remaining monies used to determine salary levels.

- Medical claims expenditures have been trending upward and despite periodic adjustments in plan design, premiums increased by 7.4% for FY 15, 1.5% for FY 16, 9.2% for FY 17 and 5.6% for FY 18. Preliminary rates for FY 19 are not yet known, but are anticipated to increase 5-8%. The federal Affordable Care Act continues to have a significant impact on overall health insurance costs and compliance requirements.

- Building maintenance issues require careful planning and forecasting since AEAs have no funding sources outside of the General Fund for capital expenditures. A project is planned to remodel the second floor of the 6th Street facility to provide more modern work spaces and collaboration areas for staff. As of June 30, 2017, the Agency committed $1.15 million of the General Fund balance for those remodeling costs. The Agency is also planning for roof replacement at the 6th Street facility by FY 20 which is estimated to cost approximately $1 million.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Agency's citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office of Grant Wood Area Education Agency 10, 4401 - 6th Street, SW, Cedar Rapids, Iowa 52404.

Basic Financial Statements

Statement of Net Position

As of June 30, 2017

Assets and Deferred Outflows of Resources	
Assets	
Cash	$ 9,834,606
Accounts receivable	18,735
Due from other governments	6,529,725
Inventories	99,952
Prepaid lease	1,918,846
Prepaid expenses	324
Capital assets, net of accumulated depreciation/amortization	6,741,600
Total Assets	**25,143,788**
Deferred Outflows of Resources	
Pension-related deferred outflows	**7,515,870**
Total Assets and Deferred Outflows of Resources	**$ 32,659,658**
Liabilities, Deferred Inflows of Resources and Net Position	
Liabilities	
Accounts payable	$ 885,557
Due to other governments	2,119,469
Salaries and benefits payable	3,175,991
Accrued liabilities	738,091
Unearned revenue	594
Long-Term Liabilities	
Portion Due Within One Year	
Compensated absences	80,541
Portion Due After One Year	
Net pension liability	26,575,452
Net OPEB liability	999,430
Total Liabilities	**34,575,125**
Deferred Inflows of Resources	
Pension-related deferred inflows	**918,012**
Net Position	
Net investment in capital assets	6,741,600
Restricted for	
Capital lease obligations	1,918,846
Categorical funding	263,654
Off-site programs	4,998
Special education transportation	106,825
Unrestricted	(11,869,402)
Total Net Position	**(2,833,479)**
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 32,659,658**

Statement of Activities

Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenue: Charges for Service	Program Revenue: Operating Grants and Contributions	Net Revenue (Expense) and Changes in Net Position: Governmental Activities
Governmental Activities				
Instruction	$ 2,622,651	$ 1,773,890	$ 2,552,462	$ 1,703,701
Student support services	23,522,112	30,367	16,213,180	(7,278,565)
Instructional staff support services	18,623,591	3,638,278	1,340,256	(13,645,057)
General administration	1,895,114	20,122	—	(1,874,992)
Building administration	2,829,063	—	—	(2,829,063)
Business and central administration	3,650,332	2,270,102	—	(1,380,230)
Purchasing, distributing, printing, publishing and duplicating	876,902	206,700	—	(670,202)
Plant operations and maintenance	1,487,795	31,458	—	(1,456,337)
Central and other support services	3,549	—	—	(3,549)
Noninstructional programs	731,473	124,113	—	(607,360)
Depreciation/amortization (unallocated)*	173,604	—	—	(173,604)
Total Governmental Activities	**$ 56,416,186**	**$ 8,095,030**	**$ 20,105,898**	**(28,215,258)**
General Revenue				
Property tax levied for general purposes				13,004,104
State foundation aid				14,131,168
Unrestricted investment earnings				16,424
Gain on disposal of capital assets				530,112
Total General Revenue				**27,681,808**
Change in Net Position				**(533,450)**
Net Position - Beginning of Year				(2,300,029)
Net Position - End of Year				**$ (2,833,479)**

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

Balance Sheet - Governmental Funds

As of June 30, 2017

	General	Special Revenue Off-Site Programs	Nonmajor	Total
Assets				
Cash	$ 9,648,242	$ 8,500	$ 177,864	$ 9,834,606
Accounts receivable	10,985	—	7,750	18,735
Due from other governments	5,749,837	779,888	—	6,529,725
Due from other funds	566,403	—	290,281	856,684
Inventories	99,952	—	—	99,952
Prepaid expenditures	324	—	—	324
Total Assets	**$ 16,075,743**	**$ 788,388**	**$ 475,895**	**$ 17,340,026**
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 588,149	$ 4,668	$ 292,740	$ 885,557
Due to other governments	1,967,839	137,968	13,662	2,119,469
Due to other funds	290,281	566,403	—	856,684
Salaries and benefits payable	3,039,566	74,351	62,074	3,175,991
Accrued liabilities	738,091	—	—	738,091
Unearned revenue	—	—	594	594
Total Liabilities	**6,623,926**	**783,390**	**369,070**	**7,776,386**
Fund Balances				
Nonspendable				
Inventories	99,952	—	—	99,952
Prepaid expenditures	324	—	—	324
Restricted for				
Categorical funding	263,654	—	—	263,654
Off-site programs	—	4,998	—	4,998
Special education transportation	—	—	106,825	106,825
Committed for				
Facility remodel and repairs	2,080,000	—	—	2,080,000
Equipment replacement	629,400	—	—	629,400
Assigned to				
Professional leave	277,302	—	—	277,302
Local projects	277,460	—	—	277,460
Other	379,776	—	—	379,776
Unassigned	5,443,949	—	—	5,443,949
Total Fund Balances	**9,451,817**	**4,998**	**106,825**	**9,563,640**
Total Liabilities and Fund Balances	**$ 16,075,743**	**$ 788,388**	**$ 475,895**	**$ 17,340,026**

See accompanying notes to the financial statements.

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

As of June 30, 2017

Total Fund Balances of Governmental Funds (Page 14)		**$ 9,563,640**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is $19,473,636 and the accumulated depreciation/amortization is $12,732,036		6,741,600
Prepaid lease expenses are not expendable in the current year and, therefore, are not reported in the governmental funds		1,918,846
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	$ 7,515,870	
Deferred inflows of resources	(918,012)	6,597,858
Long-term liabilities are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Compensated absences..	$ (80,541)	
Net pension liability	(26,575,452)	
Net OPEB liability	(999,430)	(27,655,423)
Net Position of Governmental Activities (Page 12)		**$ (2,833,479)**

See accompanying notes to the financial statements.

Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2017

	General	Special Revenue Off-Site Programs	Nonmajor	Total
Revenue				
Local sources	$ 19,739,175	$ 1,421,027	$ 9,240	$ 21,169,442
State sources	17,128,674	55,560	643,956	17,828,190
Federal sources	16,354,992	—	—	16,354,992
Total Revenue	**53,222,841**	**1,476,587**	**653,196**	**55,352,624**
Expenditures				
Current				
Instruction	713,506	1,304,668	590,256	2,608,430
Student support services	23,371,350	—	—	23,371,350
Instructional staff support services	18,472,606	25	—	18,472,631
General administration	1,883,527	2,243	—	1,885,770
Building administration	2,488,839	70,523	62,940	2,622,302
Business and central administration	3,628,297	—	—	3,628,297
Purchasing, distributing, printing, publishing and duplicating	905,829	—	—	905,829
Plant operations and maintenance	1,373,532	99,044	—	1,472,576
Central and other support services	3,549	—	—	3,549
Noninstructional programs	725,987	—	—	725,987
Facilities acquisition and construction	—	—	1,750,596	1,750,596
Total Expenditures	**53,567,022**	**1,476,503**	**2,403,792**	**57,447,317**
Revenue Over (Under) Expenditures	**(344,181)**	**84**	**(1,750,596)**	**(2,094,693)**
Other Financing Sources (Uses)				
Proceeds from the sale of capital assets	731,395	—	—	731,395
Transfers in	—	—	1,750,596	1,750,596
Transfers out	(1,750,596)	—	—	(1,750,596)
Total Other Financing Sources (Uses)	**(1,019,201)**	**—**	**1,750,596**	**731,395**
Change in Fund Balances	**(1,363,382)**	**84**	**—**	**(1,363,298)**
Fund Balances - Beginning of Year	10,815,199	4,914	106,825	10,926,938
Fund Balances - End of Year	**$ 9,451,817**	**$ 4,998**	**$ 106,825**	**$ 9,563,640**

See accompanying notes to the financial statements.

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

Year Ended June 30, 2017

Change in Fund Balances - Total Governmental Funds (Page 16)		**$ (1,363,298)**
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation/amortization expense to allocate those expenditures over the estimated useful lives of the assets. Capital outlay expenditures exceeded depreciation/amortization expense in the current year as follows:		
Expenditures for capital outlays	$ 2,468,642	
Depreciation/amortization expense	(1,119,316)	1,349,326
The net book value of capital assets disposed of during the year		(201,283)
The current year Agency 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.		2,902,807
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:		
Amortization of prepaid lease	$ (41,644)	
Compensated absences	(2,743)	
Pension expense	(3,067,912)	
Net OPEB liability	(108,703)	(3,221,002)
Change in Net Position of Governmental Activities (Page 13)		**$ (533,450)**

See accompanying notes to the financial statements.

Statement of Fiduciary Assets and Liabilities - Agency Fund

As of June 30, 2017

Assets		
Cash	$	97,722
Accounts receivable		325,320
Total Assets	**$**	**423,042**
Liabilities		
Accounts payable	$	228,638
Deposits held in custody of others		194,404
Total Liabilities	**$**	**423,042**

See accompanying notes to the financial statements.

(1) Summary of Significant Accounting Policies and Other Matters

Grant Wood Area Education Agency 10 is an intermediate school corporation established to identify and serve children who require special education. The Agency also provides media services and education support services. These programs and support services are provided to 49 school districts and private schools in a seven-county area. The Agency is governed by a Board of Directors whose members are elected on a nonpartisan basis.

The Agency's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, Grant Wood Area Education Agency 10 has included all funds, organizations, agencies, boards, commissions and authorities. The Agency 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 Agency are such that exclusion would cause the Agency'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 Agency 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 Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities report information on all activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities normally are supported by intergovernmental revenue.

The statement of net position presents the Agency's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

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

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

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

(1) Summary of Significant Accounting Policies and Other Matters

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (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 and contributions restricted to meeting the operational or capital requirements of a particular function. Unrestricted interest income and other items not properly included among program revenue are reported as general revenue.

Fund 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.

The Agency reports the following major governmental funds:

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

The Special Revenue - Off-Site Programs Fund is used to account for special education instruction classes held off-site. The actual costs of providing instructional services to the pupils are billed to the individual school districts.

The Agency also reports the following fiduciary fund:

The Agency Fund is used to account for assets held by the Agency 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.

Measurement Focus and Basis of Accounting
The Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

Intergovernmental revenue (shared revenue, 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 Agency.

(1) Summary of Significant Accounting Policies and Other Matters

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

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

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

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

Cash
Cash includes amounts in demand deposits and money market funds.

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

Inventories
Inventories are stated at cost using the first-in, first-out method and consist of expendable supplies and materials. The cost of these items is recorded as an expenditure at the time of consumption.

Prepaid Expenses/Expenditures
Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses/expenditures in both the government-wide and fund financial statements on the consumption method.

Capital Assets
Capital assets, which include property, furniture and equipment and intangibles, are reported in the Government-wide statement of net position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the Agency as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

(1) Summary of Significant Accounting Policies and Other Matters

Asset Class	Amount
Land	$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment	400 or 1,000
Library books and other media materials	Cost
Intangibles	200,000

All capital assets of the Agency except library books and other media materials are depreciated/amortized using the straight-line method of depreciation/amortization and library books and other media materials are depreciated using the composite method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 Years
Improvements other than buildings	20 Years
Furniture and equipment	5 Years
Library books and other media materials	10 Years
Intangibles	15 Years

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

Due To Other Governments
Due to other governments represents amounts payable to various community school districts and payments to other governments.

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

Compensated Absences
Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability has been recorded in the statement of net position representing the Agency's commitment to fund noncurrent compensated absences. This liability has been computed based on rates of pay in effect as of June 30, 2017. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and Special Revenue Funds.

(1) Summary of Significant Accounting Policies and Other Matters

Long-Term Liabilities

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position.

Pensions

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

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Although certain revenue is measurable, it is 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 statement of net position consist of items not yet charged to pension expense.

Fund Balances

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

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

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or 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 Directors through resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same action it employed to commit these amounts.

Assigned - Amounts the Board of Directors intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2017, expenditures exceeded the amount budgeted.

(1) Summary of Significant Accounting Policies and Other Matters

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated events through November 10, 2017, the date which the financial statements were available to be issued.

(2) Cash and Investments

The Agency's deposits in banks as of 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 that there will be no loss of public funds.

The Agency 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 Directors; 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.

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

Interest Rate Risk

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

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables as of June 30, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects	General	$ 290,281
General	Special Revenue - Off-Site Programs	566,403
		$ 856,684

The General Fund is repaying the Capital Projects Fund for construction expenses that were not reimbursed prior to the end of the current year. The Special Revenue - Off-Site Programs Fund is repaying the General Fund for special education billings not received prior to the end of current year. The balances are expected to be paid by September 30, 2017.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

Transfer to	Transfer From	Amount
Capital Projects	General	$ 1,750,596

Transfers generally move revenue from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfer in the current year pertained to building renovations and layout design services for the 33rd Avenue facility.

(5) Capital Assets

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

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated/Amortized				
Land	$ 383,058	$ —	$ 85,000	$ 298,058
Construction in progress	—	1,767,245	—	1,767,245
Total Capital Assets Not Being Depreciated/Amortized	383,058	1,767,245	85,000	2,065,303
Capital Assets Being Depreciated/ Amortized				
Buildings	5,944,794	—	267,038	5,677,756
Improvements other than buildings	1,191,901	—	51,996	1,139,905
Furniture and equipment	6,738,431	580,661	291,591	7,027,501
Library books and other media materials	2,544,792	120,736	175,754	2,489,774
Intangibles	1,073,397	—	—	1,073,397
Total Capital Assets Being Depreciated/Amortized	17,493,315	701,397	786,379	17,408,333
Less Accumulated Depreciation/ Amortization For				
Buildings	3,788,720	113,555	170,904	3,731,371
Improvements other than buildings	474,427	56,995	31,847	499,575
Furniture and equipment	5,190,149	628,229	291,591	5,526,787
Library books and other medial materials	2,471,264	248,977	175,754	2,544,487
Intangibles	358,256	71,560	—	429,816
Total Accumulated Depreciation/Amortization	12,282,816	1,119,316	670,096	12,732,036
Total Capital Assets Being Depreciated/Amortized, Net	5,210,499	(417,919)	116,283	4,676,297
Governmental Activities Capital Assets, Net	**$ 5,593,557**	**$ 1,349,326**	**$ 201,283**	**$ 6,741,600**

(5) Capital Assets

Depreciation/amortization expense was charged to the following functions:

Governmental Activities	
Instruction	$ 2,067
Student support services	29,961
Instructional staff support services	671,925
General administration	210
Business and central administration	188,473
Purchasing, distributing, printing, publishing and duplicating	7,055
Plant operations and maintenance	45,263
Noninstructional programs	758
Unallocated	173,604
Total Depreciation/Amortization Expense - Governmental Activities	**$ 1,119,316**

(6) Long-Term Liabilities

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

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
Governmental Activities					
Compensated absences	$ 77,798	$ 80,541	$ 77,798	$ 80,541	$ 80,541
Net pension liability	21,451,342	5,124,110	—	26,575,452	—
Net OPEB liability	890,727	185,978	77,275	999,430	—
	$ 22,419,867	**$ 5,390,629**	**$ 155,073**	**$ 27,655,423**	**$ 80,541**

Separation Plan Benefits Payable

The Agency may provide a Separation Plan for Agency staff, and that decision is made each year by the Board as part of a fiscal management plan. There was no Separation Plan provided for the year ended June 30, 2017. For employees who separated prior to July 1, 2009, the Agency will continue to provide health and life insurance benefits until they reach the age of 65. Actual expenditures for health and life insurance benefits for the year ended June 30, 2017 totaled $954. The amount of remaining benefits payable is immaterial.

(7) Operating Leases

The Agency leases office equipment and various facilities within the area to house the different programs of the Agency. These leases have been classified as operating leases and, accordingly, all rents are recorded as expenditures as incurred. The leases expire between March, 2018 and February, 2022. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties and equipment. In most cases, management expects that the leases will be renewed or replaced by other leases.

(7) Operating Leases

The following is a schedule by year of future minimum rental payments required under operating leases which have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2017.

Year Ending June 30,	
2018	$ 165,729
2019	159,919
2020	111,762
2021	2,149
2022	1,612
Total	**$ 441,171**

Total rental expenditures for the year ended June 30, 2017 for all operating leases, except those with terms of a month or less that were not renewed, were $298,840.

During the year ended June 30, 2016, the Agency entered into a long-term lease with Kirkwood Community College for a newly constructed building. The Agency made a lump-sum lease payment of $2,000,500 in November, 2015, which covered all lease payments and was recorded as a prepaid lease payment to be amortized to rent expense evenly over the term of the lease. The lease expires June, 2064, and $41,644 was amortized to rent expense during the year ended June 30, 2017.

(8) Pension and Retirement Benefits

Plan Description

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

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

Pension Benefits

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

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

(8) Pension and Retirement Benefits

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

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

Disability and Death Benefits

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

Contributions

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

In fiscal year 2017, pursuant to the required rate, regular members contributed 5.95% of covered payroll and the Agency contributed 8.93% for a total rate of 14.88%.

The Agency's contributions to IPERS for the year ended June 30, 2017 were $2,902,807.

Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2017, the Agency reported a liability of $26,575,452 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 Agency's proportion of the net pension liability was based on the Agency's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. As of June 30, 2016, the Agency's proportion was 0.422281% which was a decrease of 0.011914% from its proportion measured as of June 30, 2015.

(8) Pension and Retirement Benefits

For the year ended June 30, 2017, the Agency recognized pension expense of $3,067,912. As of June 30, 2017, the Agency 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	$ 234,877	$ 317,167
Changes of assumptions	405,459	—
Net difference between projected and actual earnings on IPERS' investments	3,786,160	—
Changes in proportion and differences between Agency contributions and proportionate share of contributions	186,567	600,845
Agency contributions subsequent to the measurement date	2,902,807	—
Total	**$ 7,515,870**	**$ 918,012**

$2,902,807 reported as deferred outflows of resources related to pensions resulting from the Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending 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,	
2018	$ 428,070
2019	428,070
2020	1,853,907
2021	1,026,638
2022	(41,634)
Total	**$ 3,695,051**

There were no nonemployer contributing entities at IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3% per annum.
Rate of salary increases (effective June 30, 2010)	4% to 17%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.5% per annum, compounded annually, net of pension plan investment expense, including inflation.
Wage growth (effective June 30, 1990)	4% per annum, based on 3% inflation assumption 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.

(8) Pension and Retirement Benefits

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core Plus Fixed Income	28%	1.90%
Domestic Equity	24	5.85
International Equity	16	6.32
Private Equity/Debt	11	10.31
Real Estate	8	3.87
Credit Opportunities	5	4.48
U.S. TIPS	5	1.36
Other Real Assets	2	6.42
Cash	1	(0.26)
Total	**100%**	

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Agency will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Agency's proportionate share of the net pension liability	$42,995,486	$26,575,452	$12,716,729

(8) Pension and Retirement Benefits

Pension Plan Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at *www.ipers.org*.

Payables to the Pension Plan
All legally required employer contributions and legally required employee contributions which had been withheld from employee wages were remitted by the Agency to IPERS by June 30, 2017.

(9) Other Postemployment Benefits (OPEB)

Plan Description
The Agency participates in an agent multiple employer defined benefit health care plan called the Metro Interagency Insurance Program (MIIP). This plan provides medical and prescription drug benefits for employees, retirees and their spouses. There are 401 active and 52 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical and prescription benefits are provided through a self-insured 28E organization plan with MIIP. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit subsidy of an OPEB liability. The plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by contacting MIIP, 4401 - 6th Street, SW, Cedar Rapids, Iowa 52404.

Funding Policy
The contribution requirements of plan members and the Agency are established and may be amended by the MIIP Board of Trustees. MIIP members receiving benefits contribute a monthly amount that varies depending on the health plan selected and coverage of the employee at the time of requirement. The Agency currently finances the retiree benefits on a pay-as-you go basis.

Annual OPEB Cost and Net OPEB Obligation
The Agency's annual OPEB cost is calculated based on the annual required contribution (ARC) of the Agency, 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 Agency's annual OPEB cost for the year ended June 30, 2017, the amount actually contributed to the plan and changes in the Agency's net OPEB obligation:

Annual required contribution	$ 255,793
Interest on net OPEB obligation	22,268
Adjustment to annual required contribution	(92,083)
Annual OPEB Cost	185,978
Contributions made	(77,275)
Increase in Net OPEB Obligation	108,703
Net OPEB Obligation - Beginning of Year	890,727
Net OPEB Obligation - End of Year	**$ 999,430**

(9) Other Postemployment Benefits (OPEB)

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. 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 Agency contributed $77,275 to the medical plan. Plan members eligible for benefits contributed $41,977, or 35%, of the premium costs.

The Agency'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, 2015	$ 194,977	44.7%	$ 789,003
June 30, 2016	183,583	44.6	890,727
June 30, 2017	185,978	41.6	999,430

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date for the period of July 1, 2016 through June 30, 2017, the actuarial accrued liability was $1,441,481 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $1,441,481. The covered payroll (annual payroll of active employees covered by the plan) was approximately $31,600,000, and the ratio of the UAAL to the covered payroll was 4.6%. 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 healthcare 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 the 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 that are 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, 2016 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions included a 2.5% discount rate based on the Agency's funding policy. The projected annual medical trend rate is 6%. An inflation rate of 0% is assumed for the purpose of this calculation.

(9) Other Postemployment Benefits (OPEB)

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from actuarial estimates and probabilities and factors from the 2006 Society of Actuaries Study.

Projected claim costs of the medical plan are $266 per month for active employees. The UAAL is being amortized as a level dollar cost over service of the group on a closed basis over 30 years.

(10) Risk Management

The Agency 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 Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks did not exceed commercial insurance coverage in any of the past three fiscal years.

(11) Metro Interagency Insurance Program

The Agency is a member of the Metro Interagency Insurance Program (MIIP). The program provides services necessary and appropriate for the establishment, operation and maintenance of an insurance program for employee health and medical claims for member institutions. Premiums billed to the participants are determined on an actuarial basis based on the institution’s claim experiences. The Agency contributed $4,568,753 to the program for the year ended June 30, 2017.

In the event that a member withdrawals from MIIP, the withdrawn member continues to be responsible for its share of cost arising from events occurring while it was a participating member. If the withdrawn member at any time has a negative balance, the withdrawn member is immediately liable and obligated to MIIP for that amount.

MIIP uses reinsurance to reduce its exposure to large losses. The MIIP has a stop/loss coverage of $200,000 per individual and an aggregate stop/loss of 125% of actuarial projections for the rating period. If claims or series of claims exceed the amount of aggregate excess insurance, then payment of such claims shall be the obligation of the respective individual member.

The Agency does not report a liability for losses in excess of reinsurance unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. As of June 30, 2017, no liability has been recorded by the Agency and settled claims have not exceeded the risk pool or reinsurance coverage in any of the past three fiscal years.

MIIP issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by contacting MIIP, 4401 - 6th Street, SW, Cedar Rapids, Iowa 52404.

(12) Deficit Balance

The Agency had a governmental activities deficit net position balance of $2,833,479 for the year ended June 30, 2017, primarily due to the net pension liability.

(13) Commitments and Contingencies

Employee Benefits
Employees accumulate sick pay based upon years of service. Unused sick days may be carried forward until needed by the employee, up to a maximum amount established for each employee group. Upon termination, retirement or death, unused days are forfeited; therefore, no accrual is required.

Construction Commitment
The Agency has entered into multiple contracts totaling $1,800,336 for the 33rd Avenue Phase II and 6th Street remodeling projects. As of June 30, 2017, costs of $1,742,473 had been incurred against the contracts. The balance of $57,863 remaining as of June 30, 2017 will be paid as work on the projects progresses.

(14) 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

Schedule of Budgetary Comparison of Revenue, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds

Year Ended June 30, 2017

	Actual Governmental Fund Types	Budgeted Amounts Original	Budgeted Amounts Final	Over (Under) Budget
Revenue				
Local sources	$ 21,169,442	$ 20,706,792	$ 20,611,717	$ 557,725
State sources	17,828,190	19,736,582	17,997,835	(169,645)
Federal sources	16,354,992	15,990,200	16,571,827	(216,835)
Total Revenue	**55,352,624**	**56,433,574**	**55,181,379**	**171,245**
Expenditures				
Current				
Instruction	2,608,430	3,832,318	2,395,032	213,398
Student support services	23,371,350	22,605,916	22,969,163	402,187
Instructional staff support services	18,472,631	18,498,259	18,520,332	(47,701)
General administration	1,885,770	1,842,998	1,875,724	10,046
Building administration	2,622,302	2,733,049	2,668,873	(46,571)
Business and central administration	3,628,297	4,058,169	3,796,418	(168,121)
Purchasing, distributing, printing, publishing and duplicating	905,829	1,106,376	892,748	13,081
Plant operations and maintenance	1,472,576	1,825,198	1,617,465	(144,889)
Central and other support services	3,549	7,000	5,000	(1,451)
Noninstructional programs	725,987	731,858	721,058	4,929
Facilities acquisition and construction	1,750,596	—	1,728,000	22,596
Total Expenditures	**57,447,317**	**57,241,141**	**57,189,813**	**257,504**
Revenue Over (Under) Expenditures	**(2,094,693)**	**(807,567)**	**(2,008,434)**	**(86,259)**
Other Financing Sources (Uses) (Net)	731,395	—	—	731,395
Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	**(1,363,298)**	**(807,567)**	**(2,008,434)**	**645,136**
Balance - Beginning of Year	10,926,938	9,607,603	10,926,939	(1)
Balance - End of Year	**$ 9,563,640**	**$ 8,800,036**	**$ 8,918,505**	**$ 645,135**

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.

The Agency's Board of Directors annually prepares a budget on a basis consistent with accounting principles generally accepted in the United States of America for all funds except the Agency Fund. Although the budget document presents function expenditures by fund, the legal level of control is at the total expenditure level, not by fund. After required public notice and hearing in accordance with the Code of Iowa, the Board submits its budget to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board.

For the year ended June 30, 2017, the Agency's expenditures exceeded the approved budget.

Schedule of Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System

Last Three Years*

	2017	2016	2015
Agency's proportion of the net pension liability	0.422281%	0.434195%	0.442327%
Agency's proportionate share of the net pension liability	$26,575,452	$21,451,342	$17,901,148
Agency's covered-employee payroll	$30,304,000	$29,746,000	$29,536,000
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.70%	72.12%	60.61%
Plan fiduciary net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

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

Schedule of Contributions
Iowa Public Employees' Retirement System

Last Ten Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Statutorily required contribution	$ 2,902,807	$ 2,706,185	$ 2,656,346	$ 2,637,574	$ 2,427,217	$ 2,127,521	$ 1,990,569	$ 1,906,023	$ 1,753,848	$ 1,573,362
Contributions in relation to the statutorily required contributions	(2,902,807)	(2,706,185)	(2,656,346)	(2,637,574)	(2,427,217)	(2,127,521)	(1,990,569)	(1,906,023)	(1,753,848)	(1,573,362)
Contribution Deficiency (Excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Agency's covered-employee payroll	$ 32,506,000	$ 30,304,000	$ 29,746,000	$ 29,536,000	$ 27,996,000	$ 26,421,000	$ 28,641,000	$ 28,662,000	$ 27,620,000	$ 26,006,000
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.93%	8.67%	8.06%	6.95%	6.65%	6.35%	6.05%

Changes of Benefit Terms

Legislation passed in 2010 modified benefit terms for regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from regular membership to the protection occupation group for future service only.

Changes of Assumptions

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

Schedule of Funding Progress for the Retiree Health Plan

Year Ended June 30, 2017

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2009	7-1-08	$ —	$ 2,139,000	$ 2,139,000	0.0%	$ 26,737,000	8.0%
2010	7-1-08	—	2,139,000	2,139,000	0.0	28,024,000	7.6
2011	7-1-10	—	1,642,382	1,642,382	0.0	28,904,000	5.7
2012	7-1-10	—	1,642,382	1,642,382	0.0	26,700,000	6.2
2013	7-1-12	—	1,549,038	1,549,038	0.0	28,200,000	5.5
2014	7-1-12	—	1,549,038	1,549,038	0.0	29,600,000	5.2
2015	7-1-14	—	1,284,375	1,284,375	0.0	30,600,000	4.2
2016	7-1-14	—	1,284,375	1,284,375	0.0	30,900,000	4.2
2017	7-1-16	—	1,441,481	1,441,481	0.0	31,600,000	4.6

See Note 9 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds

As of June 30, 2017

	Special Revenue			
	Juvenile Home	Special Education Transportation	Capital Projects	Total
Assets				
Cash	$ 71,039	$ 106,825	$ —	$ 177,864
Accounts receivable	7,750	—	—	7,750
Due from other funds	—	—	290,281	290,281
Total Assets	**$ 78,789**	**$ 106,825**	**$ 290,281**	**$ 475,895**
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 2,459	$ —	$ 290,281	$ 292,740
Due to other governments	13,662	—	—	13,662
Salaries and benefits payable	62,074	—	—	62,074
Unearned revenue	594	—	—	594
Total Liabilities	**78,789**	**—**	**290,281**	**369,070**
Fund Balances				
Restricted for				
Special education transportation	**—**	**106,825**	**—**	**106,825**
Total Liabilities and Fund Balances	**$ 78,789**	**$ 106,825**	**$ 290,281**	**$ 475,895**

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

Year Ended June 30, 2017

	Special Revenue			
	Juvenile Home	Special Education Transportation	Capital Projects	Total
Revenue				
Local sources	$ 9,240	$ —	$ —	$ 9,240
State sources	643,956	—	—	643,956
Total Revenue	**653,196**	**—**	**—**	**653,196**
Expenditures				
Current				
Instruction	590,256	—	—	590,256
Building administration	62,940	—	—	62,940
Facilities acquisition and construction	—	—	1,750,596	1,750,596
Total Expenditures	**653,196**	**—**	**1,750,596**	**2,403,792**
Revenue Under Expenditures	**—**	**—**	**(1,750,596)**	**(1,750,596)**
Other Financing Sources				
Transfers in	**—**	**—**	**1,750,596**	**1,750,596**
Change in Fund Balances	**—**	**—**	**—**	**—**
Fund Balances - Beginning of Year	—	106,825	—	106,825
Fund Balances - End of Year	**$ —**	**$ 106,825**	**$ —**	**$ 106,825**

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund

Year Ended June 30, 2017

	Balance - Beginning of Year	Additions	Deductions	Balance - End of Year
Assets				
Cash	$ 177,428	$ 97,722	$ 177,428	$ 97,722
Accounts receivable	39,426	325,320	39,426	325,320
Total Assets	**$ 216,854**	**$ 423,042**	**$ 216,854**	**$ 423,042**
Liabilities				
Accounts payable	$ 38,564	$ 228,638	$ 38,564	$ 228,638
Deposits held in custody of others	178,290	194,404	178,290	194,404
Total Liabilities	**$ 216,854**	**$ 423,042**	**$ 216,854**	**$ 423,042**

Schedule of Revenue by Source and Expenditures by Function - All Governmental Fund Types (Modified Accrual Basis)

Last Ten Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenue										
Local sources	$ 21,169,442	$ 20,383,130	$ 20,502,656	$ 19,577,281	$ 18,214,955	$ 18,076,352	$ 17,938,412	$ 17,206,139	$ 17,030,516	$ 16,038,177
State sources	17,828,190	17,548,975	18,273,292	17,216,621	15,895,236	14,867,307	17,188,524	15,277,092	16,486,116	14,749,636
Federal sources	16,354,992	16,553,143	16,208,381	15,261,041	15,824,051	16,537,030	20,805,815	28,598,201	19,520,136	15,202,341
Total Revenue	**$ 55,352,624**	**$ 54,485,248**	**$ 54,984,329**	**$ 52,054,943**	**$ 49,934,242**	**$ 49,480,689**	**$ 55,932,751**	**$ 61,081,432**	**$ 53,036,768**	**$ 45,990,154**
Expenditures										
Current										
Instruction	$ 2,608,430	$ 2,496,310	$ 2,661,878	$ 3,194,221	$ 3,200,893	$ 3,601,708	$ 3,306,263	$ 3,410,085	$ 4,478,567	$ 3,431,606
Student support services	23,371,350	22,528,430	22,279,615	21,483,108	21,597,493	20,048,381	22,374,649	29,381,578	22,105,572	19,216,300
Instructional staff support services	18,472,631	17,797,753	18,852,604	17,191,844	14,415,436	14,293,448	14,053,374	13,828,831	12,258,544	12,361,673
General administration	1,885,770	1,823,087	1,949,074	1,890,305	1,756,694	1,596,547	1,822,184	2,097,285	1,987,993	1,444,593
Building administration	2,622,302	2,667,155	2,583,211	2,485,994	2,474,672	2,210,580	2,123,953	2,331,166	2,288,356	1,990,916
Business and central administration	3,628,297	3,792,145	3,614,121	3,826,426	3,822,443	3,980,072	3,687,540	3,178,880	3,152,350	4,402,141
Purchasing, distributing, printing, publishing and duplicating	905,829	877,337	1,081,557	1,120,654	847,367	775,251	869,658	897,708	900,666	—
Plant operations and maintenance	1,472,576	1,315,998	1,108,287	1,112,688	1,260,503	743,786	685,943	1,115,925	1,426,833	1,712,287
Central and other support services	3,549	4,563	6,923	4,921	5,839	4,847	3,433	9,030	7,279	9,432
Noninstructional programs	725,987	711,330	687,909	699,628	689,660	715,537	787,483	909,035	1,041,533	1,412,006
Facilities acquisition and construction	1,750,596	2,008,824	561,682	120	—	1,379,796	677,291	164,998	1,633,129	—
Debt service	—	—	—	—	—	886,907	279,990	206,065	258,865	271,023
Total Expenditures	**$ 57,447,317**	**$ 56,022,932**	**$ 55,386,861**	**$ 53,009,909**	**$ 50,071,000**	**$ 50,236,860**	**$ 50,671,761**	**$ 57,530,586**	**$ 51,539,687**	**$ 46,251,977**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Sub-recipients	Expenditures
U.S. Department of Education - Indirect				
Pass-Through From Iowa Department of Education				
Special Education Cluster (IDEA)				
Special Education - Grants to States				
IDEA Part B Section 611	84.027	1617301	$ —	$ 95,662
IDEA Part B Section 611	84.027	161710	—	11,268,420
Information Management Systems	84.027	N/A	—	273,919
PODD Training	84.027	033617	—	24,371
Leadership Work Team	84.027	001117	—	13,241
Family Educator Project	84.027	N/A	—	159,078
IDEA - Flowthrough to LEA	84.027	161710	—	3,299,122
Total Special Education - Grants to States			—	15,133,813
Special Education - Preschool Grants				
Section 619	84.173	16619-0	—	293,525
IQPPS Project	84.173	#Q16-010	—	13,865
LEAP Preschool Project	84.173	005917	—	71,901
Early Childhood Leadership Project	84.173	Q17-010	—	11,400
Total Special Education - Preschool Grants			—	390,691
Total Special Education Cluster (IDEA)			—	15,524,504
Special Education - Grants for Infants and Families				
Part C - Infant and Toddler	84.181	C1617-10	—	370,747
English Language Acquisition State Grants	84.365	17ELA-05	—	332,125
Total Pass-Through From Iowa Department of Education			—	16,227,376
Pass-Through From New Teacher Center				
Education Innovation and Research				
Mentoring	84.411	79500	—	127,609
Total			**$ —**	**$ 16,354,985**

Basis of Presentation

The accompanying schedule of expenditures of federal awards (schedule) includes the federal award activity of Grant Wood Area Education Agency 10 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 Grant Wood Area Education Agency 10, it is not intended to and does not present the financial position or changes in financial position of Grant Wood Area Education Agency 10.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

Summary of Significant Accounting Policies
Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained 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 allowable or are limited as to reimbursement.

Indirect Cost Rate
Grant Wood Area Education Agency 10 has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

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

Board of Directors
Grant Wood Area Education Agency 10
Cedar Rapids, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America 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, each major fund and the aggregate remaining fund information of Grant Wood Area Education Agency 10 as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements listed in the table of contents, and have issued our report thereon dated November 10, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Grant Wood Area Education Agency 10's internal control over financial reporting (internal control) to determine the audit procedures that are 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 Grant Wood Area Education Agency 10's internal control. Accordingly, we do not express an opinion on the effectiveness of Grant Wood Area Education Agency 10'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 that there is a reasonable possibility a material misstatement of Grant Wood Area Education Agency 10'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 charge 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grant Wood Area Education Agency 10's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted immaterial instances of noncompliance which are described in Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about Grant Wood Area Education Agency 10'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 Grant Wood Area Education Agency 10. 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.

Purpose of This Report

The purpose of this report, a public record by law, 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 Agency’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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hogan - Hansen

HOGAN - HANSEN

Mason City, Iowa
November 10, 2017

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

Board of Directors
Grant Wood Area Education Agency 10
Cedar Rapids, Iowa

Report on Compliance for Each Major Federal Program
We have audited Grant Wood Area Education Agency 10's compliance, with the types of compliance requirements described in the 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. Grant Wood Area Education Agency 10'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 the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of Grant Wood Area Education Agency 10'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 auditing standards generally accepted in the United States of America, 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 noncompliance 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 Grant Wood Area Education Agency 10's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Grant Wood Area Education Agency 10's compliance.

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Opinion on Each Major Federal Program

In our opinion, Grant Wood Area Education Agency 10 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 Grant Wood Area Education Agency 10 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 Grant Wood Area Education Agency 10'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 our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major 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 Grant Wood Area Education Agency 10’s internal control over compliance.

A deficiency in the Agency’s 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 that 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 that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance, a public record by law, 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.

Hogan - Hansen

HOGAN - HANSEN

Mason City, Iowa
November 10, 2017

Year Ended June 30, 2017

<u>Part I: Summary of the Independent Auditor's Results</u>:

<u>Financial Statements</u>

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness identified?	__ yes	X no
Significant deficiency identified not considered to be material weakness?	__ yes	X none reported
Noncompliance material to financial statements noted?	__ yes	X no

<u>Federal Awards</u>

Internal control over major programs:		
Material weakness identified?	__ yes	X no
Significant deficiency identified not considered to be material weakness?	__ yes	X none reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 200.515 of the Uniform Guidance?	__ yes	X no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
	Special Education Cluster (IDEA)
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants
84.365	English Language Acquisition State Grants

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000	
Auditee qualified as low-risk auditee?	X yes	__ no

Part II: Findings Related to the Financial Statements

Instances of Noncompliance
There were no reported instances of noncompliance.

Internal Control Deficiencies
No matters were reported.

Part III: Findings and Questioned Costs for Federal Awards

Instances of Noncompliance
There were no reported instances of noncompliance.

Internal Control Deficiencies
No matters were reported.

Part IV: Other Findings Related to Statutory Reporting

17-IV-A **Certified Budget** - Expenditures during the year ended June 30, 2017 exceeded the amended certified budget amount.

Auditor's Recommendation - The budget should have been amended in accordance with the Code of Iowa before expenditures were allowed to exceed the budget.

Agency's Response - The budget will be amended in the future as required.

Auditor's Conclusion - Response accepted.

17-IV-B **Questionable Expenditures** - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's Opinion dated April 25, 1979.

17-IV-C **Travel Expenses** - No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted. No travel advances to Agency officials or employees were noted.

17-IV-D **Business Transactions** - No business transactions between the Agency and Agency officials or employees were noted.

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

17-IV-F **Board Minutes** - No transactions were found that we believe should have been approved in the Board minutes but were not.

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

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

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

17-IV-J **Financial Condition** - The Agency's governmental activities has a deficit net position of $2,833,479 as of June 30, 2017.

Auditor's Recommendation - The Agency should investigate alternatives to eliminate this deficit to return this fund to a sound financial position.

Agency's Response - The deficit was the result of recognizing the Agency's proportionate share of IPERS' net pension liability. The Agency realizes this liability is not due and payable immediately. Rather the pension liability will be paid down over a period of time with the Agency's future employer share of IPERS contributions.

Auditor's Conclusion - Response accepted.