

AGWSR COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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**AGWSR Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Brian Johnson	President	2017
Gary Heetland	Vice President	2015
Maureen Meyer	Board Member	2015
Pat Ubben	Board Member	2017
Darren Janssen	Board Member	2015
Steve Bartling	Board Member	2015
Anthony Sillman	Board Member	2017
<b>School Officials</b>		
Marty Jimmerson	Superintendent	2015
Deb Barker	District Secretary/Treasurer and Business Manager	2015
Ahlers & Cooney	Attorney	2015

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

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of AGWSR Community School District, Ackley, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of AGWSR Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

## **Emphasis of Matter**

As discussed in Note 15 to the financial statements, AGWSR Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No.27. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management’s Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District’s Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 17 and 48 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise AGWSR Community School District’s basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2014 and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 1, 2016 on our consideration of AGWSR Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering AGWSR Community School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson, P.C." The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

February 1, 2016  
Newton, Iowa

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

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AGWSR Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2015 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$6,471,717 in fiscal year 2014 to \$6,480,218 in fiscal year 2015, while General Fund expenditures decreased from \$6,926,393 in fiscal year 2014 to \$6,568,152 in fiscal year 2015. This resulted in a decrease in the District's General Fund balance from \$940,631 at June 30, 2014 to \$852,697 at June 30, 2015, a 9.35% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in local and federal sources received in fiscal year 2015. The decrease in expenditures was primarily due to a decrease in instructional expenditures incurred as compared to the prior year.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

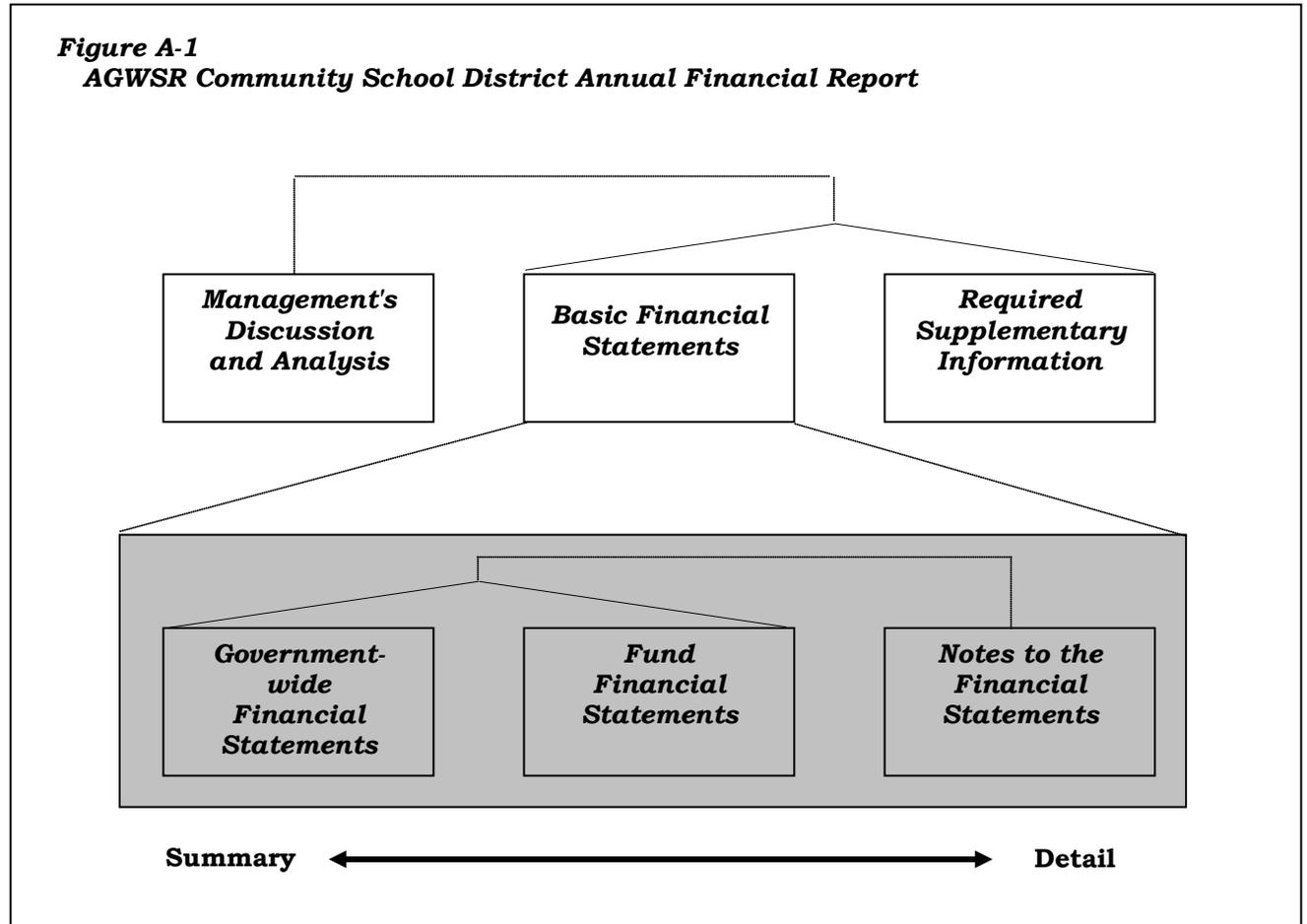


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private Purpose Trust and Agency funds.

- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund – These are funds through which the District administers and accounts for certain monies on behalf of other entities.

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Figure A-3  
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2014		June 30, 2014		June 30, 2014		June 30, 2014-15
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	
Current and other assets	\$ 8,086,747	11,765,097	154,853	123,042	8,241,600	11,888,139	-30.67%
Capital assets	10,948,138	8,703,757	129,966	67,200	11,078,104	8,770,957	26.30%
Total assets	19,034,885	20,468,854	284,819	190,242	19,319,704	20,659,096	-6.48%
Deferred outflows of resources	474,333	-	37,939	-	512,272	-	100.00%
Long-term liabilities	8,782,816	6,969,146	190,042	481	8,972,858	6,969,627	28.74%
Other liabilities	728,095	1,321,251	25,026	21,777	753,121	1,343,028	-43.92%
Total liabilities	9,510,911	8,290,397	215,068	22,258	9,725,979	8,312,655	17.00%
Deferred inflows of resources	4,600,851	3,378,939	82,494	-	4,683,345	3,378,939	38.60%
Net position:							
Net investment in capital assets	5,030,941	4,733,098	129,966	67,200	5,160,907	4,800,298	7.51%
Restricted	2,663,933	3,373,357	-	-	2,663,933	3,373,357	-21.03%
Unrestricted	(2,297,418)	693,063	(104,770)	100,784	(2,402,188)	793,847	-402.60%
Total net position	\$ 5,397,456	8,799,518	25,196	167,984	5,422,652	8,967,502	-39.53%

The District's combined net position decreased by 39.53%, or \$3,544,850, compared to the prior year. A significant portion of the District's net position is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$709,424 or 21.03% from than the prior year. The decrease was primarily a result of the reduction in the Capital Projects: Statewide Sales, Services and Use Tax fund balance.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$3,196,035, or 402.6%. This decrease in unrestricted net position was primarily a result the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$3,138,881 and \$249,742, respectively, to retroactively report the net pension liability as of June 30, 2014 and deferred outflows of resources related to contributions made after June 30, 2015 but prior to July 1, 2015. Fiscal year 2014 and 2015 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

**Figure A-4** shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4  
Changes in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	\$ 375,250	451,695	440,986	428,333	816,236	880,028	-7.25%
Operating grants, contributions and restricted interest	564,204	558,644	210,085	189,126	774,289	747,770	3.55%
Capital grants, contributions and restricted interest	12,929	-	-	-	12,929	-	100.00%
General revenues:							
Property tax	3,368,792	3,340,475	-	-	3,368,792	3,340,475	0.85%
Income surtax	421,567	364,955	-	-	421,567	364,955	15.51%
Statewide sales, services and use tax	564,879	542,283	-	-	564,879	542,283	4.17%
Unrestricted state grants	2,496,596	2,617,241	-	-	2,496,596	2,617,241	-4.61%
Unrestricted investment earnings	36,596	39,832	154	46	36,750	39,878	-7.84%
Other	164,085	147,830	1,216	1,320	165,301	149,150	10.83%
Total revenues	8,004,898	8,062,955	652,441	618,825	8,657,339	8,681,780	-0.28%
Program expenses:							
Instructional	5,098,822	5,442,877	-	-	5,098,822	5,442,877	-6.32%
Support services	2,125,803	2,479,927	21,810	30,520	2,147,613	2,510,447	-14.45%
Non-instructional programs	5,753	3,499	611,069	592,585	616,822	596,084	3.48%
Other expenses	950,309	588,198	-	-	950,309	588,198	61.56%
Total expenses	8,180,687	8,514,501	632,879	623,105	8,813,566	9,137,606	-3.55%
Excess(Deficiency) of revenues Over (under expenses)	(175,789)	(451,546)	19,562	(4,280)	(156,227)	(455,826)	-65.73%
Transfers	(87,392)	-	87,392	-	-	-	0.00%
Change in net position	(263,181)	(451,546)	106,954	(4,280)	(156,227)	(455,826)	-65.73%
Beginning net position	5,660,637	9,251,064	(81,758)	172,264	5,578,879	9,423,328	-40.80%
Ending net position	\$ 5,397,456	8,799,518	25,196	167,984	5,422,652	8,967,502	-39.53%

In fiscal year 2015, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 85.60% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.79% of the revenue from business type activities.

The District's total revenues were approximately \$8.66 million, of which approximately \$8.01 million was for governmental activities and less than \$0.65 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.28% decrease in revenues and a 3.55% decrease in expenses. The decrease in expenses was related to decrease in the support services functional area. The decrease in revenues was due to a decrease in unrestricted state aid recorded compared to the prior year.

## Governmental Activities

Revenues for governmental activities were \$8,004,898 and expenses were \$8,180,687 for the year ended June 30, 2015.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
	Instruction	\$ 5,098,822	5,442,877	-6.32%	4,495,344	4,736,021
Support services	2,125,803	2,640,037	-19.48%	2,039,704	2,439,680	-16.39%
Non-instructional programs	5,753	3,499	64.42%	5,753	3,499	64.42%
Other expenses	950,309	428,088	121.99%	687,503	324,962	111.56%
Totals	\$ 8,180,687	8,514,501	-3.92%	7,228,304	7,504,162	-3.68%

- The cost financed by users of the District's programs was \$375,250 for the year ended June 30, 2015
- Federal and state governments subsidized certain programs with grants and contributions totaling \$564,204.
- The net cost of governmental activities was financed with \$3,368,792 in property tax, \$421,567 in income surtax, \$564,879 in statewide sales, services and use tax, \$2,496,596 in unrestricted state grants, \$39,596 in unrestricted investment earnings, and \$164,085 in other general revenues.

## Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2015 were \$652,441 and expenses were \$632,879. The District's business type activities include the School Nutrition Fund, and the Cougar's Den Day Care Fund. Revenues of these activities were comprised of charges for service, operating grants and contributions, unrestricted investment earnings, and other general revenues.

## INDIVIDUAL FUND ANALYSIS

As previously noted, AGWSR Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,421,987, a decrease of last year's ending fund balances of \$6,782,643. The primary reason for the decrease in combined fund balances in fiscal year 2015 is due to continued capital outlay expenditures on District construction project.

## Governmental Fund Highlights

- Overall, District revenues in the General Fund for fiscal year 2015 increased \$8,501, to \$6,480,218 compared to \$6,471,717 in fiscal year 2014. The expenses decreased by \$358,246 to \$6,568,152 compared to \$6,926,393 in fiscal year 2014. The General Fund balance decreased \$87,934.

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- The Management Levy Fund balance decreased from \$1,406,457 at June 30, 2014 to \$1,156,275 at June 30, 2015. The decrease in fund balance was due primarily to an increase in payments of retirement obligations to District retirees from prior fiscal years.
  - The Capital Projects Fund balance decreased from \$3,846,521 at June 30, 2014 to \$822,343 at June 30, 2015. The decrease in fund balance was due primarily to continued capital outlay expenditures on District construction projects.

### **Proprietary Fund Highlights**

The School Nutrition Fund net position increased from a deficit restated net position of \$16,137 at July 1, 2014 to \$76,441 at June 30, 2015, representing an increase of 573.70%. The Cougar's Den Day Care Fund net position increased from a deficit restated net position \$65,621 at July 1, 2014 to a deficit at \$51,245 at June 30, 2015, representing an increase of 21.91%.

### **BUDGETARY HIGHLIGHTS**

The District's revenues were \$324,198 less than budgeted revenues, a variance of 3.65%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area as well as in total during fiscal year 2015.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2015, the District had invested \$11,078,104, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$833,516.

The original cost of the District's capital assets was \$18,968,402. Governmental funds account for \$18,595,881 with the remainder of \$372,521 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings and improvements. The District's buildings and improvements totaled \$9,500,046 at June 30, 2015, compared to \$2,649,885 reported at June 30, 2014. This increase resulted completion of construction of the new elementary building in Ackley.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 311,674	311,674	-	-	311,674	311,674	0.00%
Construction in progress	-	4,599,496	-	-	-	4,599,496	-100.00%
Buildings and improvements	9,500,046	2,649,885	-	-	9,500,046	2,649,885	258.51%
Land improvements	337,386	315,143	-	-	337,386	315,143	7.06%
Machinery and equipment	799,032	827,559	129,966	67,200	928,998	894,759	3.83%
Total	\$ 10,948,138	8,703,757	129,966	67,200	11,078,104	8,770,957	26.30%

### Long-Term Debt

At June 30, 2015, the District had \$8,972,858 in long-term debt outstanding. This represents an increase of 28.74% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had a total of \$5,805,000 in general obligation bonds at June 30, 2015 payable from the Debt Service Fund.

The District had a bus lease payable of \$112,197 at June 30, 2015, payable from the Capital project: Physical Plant and Equipment Levy Fund.

The District had a total termination benefits payable of \$289,094 at June 30, 2015 payable from the Management Level Fund.

The District had a total outstanding other postemployment benefits payable of \$195,948 at June 30, 2015. A total of \$195,360 is attributable to governmental activities and \$588 is attributable to business type activities.

The District had a total outstanding pension liability of 2,570,619 at June 30, 2015. A total of \$2,381,165 is attributable to governmental activities and \$189,454 is attributed to business type activities.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
		(Not restated)		(Not restated)		(Not restated)	
General obligation bond	\$ 5,805,000	6,155,000	-	-	5,805,000	6,155,000	-5.69%
Bus lease	112,197	-	-	-	112,197	-	100.00%
Termination benefits	289,094	654,294	-	-	289,094	654,294	-55.82%
Net pension liability	2,381,165	-	189,454	-	2,570,619	-	100.00%
Net OPEB liability	195,360	159,852	588	481	195,948	160,333	22.21%
Totals	\$ 8,782,816	6,969,146	190,042	481	8,972,858	6,969,627	28.74%

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## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- School financing is highly dependent upon student enrollment. The District's October 2015 enrollment increased by approximately 2 students, but our five-year trend data has our enrollment decreasing by an average of 10 students per year. This increase in enrollment will increase the District's funding for fiscal year 2017, but trend data suggests that this is something we need to be mindful of every year.
- The District will be negotiating a new collective bargaining agreement during fiscal year 2016. Settlements in the excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- If State Supplemental Aid continues to be under funded, this will have a negative impact to the district's finances.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Deb Barker, Business Manager, AGWSR Community School District, 918 4<sup>th</sup> Ave, Ackley, Iowa, 50601.

AGWSR COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

AGWSR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 3,872,513	137,222	4,009,735
Receivables:			
Property tax:			
Delinquent	39,716	-	39,716
Succeeding year	3,564,020	-	3,564,020
Income surtax	387,887	-	387,887
Accounts	26,270	10,377	36,647
Due from other governments	196,341	2,293	198,634
Inventories	-	4,961	4,961
Capital assets, net of accumulated depreciation	10,948,138	129,966	11,078,104
<b>TOTAL ASSETS</b>	<b>19,034,885</b>	<b>284,819</b>	<b>19,319,704</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	474,333	37,939	512,272
<b>LIABILITIES</b>			
Accounts payable	145,376	2,919	148,295
Salaries and benefits payable	567,477	17,012	584,489
Unearned revenue	-	5,095	5,095
Interest payable	15,242	-	15,242
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	350,000	-	350,000
Bus lease payable	55,365	-	55,365
Termination benefits payable	150,310	-	150,310
Portion due after one year:			
General obligation bonds payable	5,455,000	-	5,455,000
Bus lease payable	56,832	-	56,832
Termination benefits payable	138,784	-	138,784
Net pension liability	2,381,165	189,454	2,570,619
Net OPEB liability	195,360	588	195,948
<b>TOTAL LIABILITIES</b>	<b>9,510,911</b>	<b>215,068</b>	<b>9,725,979</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related deferred inflows	1,036,831	82,494	1,119,325
Unavailable property tax revenue	3,564,020	-	3,564,020
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>4,600,851</b>	<b>82,494</b>	<b>4,683,345</b>
<b>NET POSITION</b>			
Net investment in capital assets	5,030,941	129,966	5,160,907
Restricted for:			
Categorical funding	398,979	-	398,979
Debt service	486,286	-	486,286
Management levy purposes	867,181	-	867,181
Student activities	89,144	-	89,144
School infrastructure	115,613	-	115,613
Physical plant and equipment	706,730	-	706,730
Unrestricted	(2,297,418)	(104,770)	(2,402,188)
<b>TOTAL NET POSITION</b>	<b>\$ 5,397,456</b>	<b>25,196</b>	<b>5,422,652</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**AGWSR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 3,482,029	136,101	57,393	-	(3,288,535)	-	(3,288,535)
Special	866,279	16,623	33,176	-	(816,480)	-	(816,480)
Other	750,514	184,995	175,190	-	(390,329)	-	(390,329)
	<u>5,098,822</u>	<u>337,719</u>	<u>265,759</u>	<u>-</u>	<u>(4,495,344)</u>	<u>-</u>	<u>(4,495,344)</u>
Support services:							
Student	111,455	-	-	-	(111,455)	-	(111,455)
Instructional staff	309,280	-	27,907	-	(281,373)	-	(281,373)
Administration	536,330	-	-	-	(536,330)	-	(536,330)
Operation and maintenance of plant	640,291	35,297	-	12,929	(592,065)	-	(592,065)
Transportation	528,447	2,234	7,732	-	(518,481)	-	(518,481)
	<u>2,125,803</u>	<u>37,531</u>	<u>35,639</u>	<u>12,929</u>	<u>(2,039,704)</u>	<u>-</u>	<u>(2,039,704)</u>
Non-instructional programs:							
Community service operations	5,753	-	-	-	(5,753)	-	(5,753)
Long-term debt interest	160,559	-	-	-	(160,559)	-	(160,559)
Other expenses:							
AEA flowthrough	262,806	-	262,806	-	-	-	-
Depreciation(unallocated)*	526,944	-	-	-	(526,944)	-	(526,944)
	<u>789,750</u>	<u>-</u>	<u>262,806</u>	<u>-</u>	<u>(526,944)</u>	<u>-</u>	<u>(526,944)</u>
Total governmental activities	<u>8,180,687</u>	<u>375,250</u>	<u>564,204</u>	<u>12,929</u>	<u>(7,228,304)</u>	<u>-</u>	<u>(7,228,304)</u>
Business type activities:							
Support services:							
Operation and maintenance of plant	21,810	-	-	-	-	(21,810)	(21,810)
Non-instructional programs:							
Food service operations	290,500	137,620	156,888	-	-	4,008	4,008
Community service operations	320,569	303,366	53,197	-	-	35,994	35,994
	<u>611,069</u>	<u>440,986</u>	<u>210,085</u>	<u>-</u>	<u>-</u>	<u>40,002</u>	<u>40,002</u>
Total business type activities	<u>632,879</u>	<u>440,986</u>	<u>210,085</u>	<u>-</u>	<u>-</u>	<u>18,192</u>	<u>18,192</u>
Total	\$ <u>8,813,566</u>	<u>816,236</u>	<u>774,289</u>	<u>12,929</u>	<u>(7,228,304)</u>	<u>18,192</u>	<u>(7,210,112)</u>
<b>General Revenues:</b>							
Property tax levied for:							
General purposes					\$ 3,202,084	-	3,202,084
Capital outlay					166,708	-	166,708
Income surtax					421,567	-	421,567
Statewide sales and services tax					564,879	-	564,879
Unrestricted state grants					2,496,596	-	2,496,596
Unrestricted investment earnings					36,596	154	36,750
Other general revenues					164,085	1,216	165,301
Transfers					(87,392)	87,392	-
Total general revenues and transfers					<u>6,965,123</u>	<u>88,762</u>	<u>7,053,885</u>
Change in net position					(263,181)	106,954	(156,227)
Net position beginning of year, as restated					<u>5,660,637</u>	<u>(81,758)</u>	<u>5,578,879</u>
Net position end of year					<u>\$ 5,397,456</u>	<u>25,196</u>	<u>5,422,652</u>

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General	Management Levy	Capital Projects	Nonmajor	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 1,370,321	1,155,459	756,061	590,672	3,872,513
Receivables:					
Property tax:					
Delinquent	36,633	1,182	1,901	-	39,716
Succeeding year	3,320,615	-	243,405	-	3,564,020
Income surtax	-	-	387,887	-	387,887
Accounts	15,264	-	11,006	-	26,270
Due from other governments	108,643	-	87,698	-	196,341
<b>TOTAL ASSETS</b>	<b>\$ 4,851,476</b>	<b>1,156,641</b>	<b>1,487,958</b>	<b>590,672</b>	<b>8,086,747</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 110,687	366	34,323	-	145,376
Salaries and benefits payable	567,477	-	-	-	567,477
Total liabilities	678,164	366	34,323	-	712,853
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	3,320,615	-	243,405	-	3,564,020
Income surtax	-	-	387,887	-	387,887
Total deferred inflows of resources	3,320,615	-	631,292	-	3,951,907
Fund balances:					
Restricted for:					
Categorical funding	398,979	-	-	-	398,979
Debt service	-	-	-	501,528	501,528
Management levy purposes	-	1,156,275	-	-	1,156,275
Student activities	-	-	-	89,144	89,144
School infrastructure	-	-	115,613	-	115,613
Physical plant and equipment	-	-	706,730	-	706,730
Assigned	15,082	-	-	-	15,082
Unassigned	438,636	-	-	-	438,636
Total fund balances	852,697	1,156,275	822,343	590,672	3,421,987
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 4,851,476</b>	<b>1,156,641</b>	<b>1,487,958</b>	<b>590,672</b>	<b>8,086,747</b>

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2015

<b>Total fund balances of governmental funds(page 22)</b>		\$ 3,421,987
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		10,948,138
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(15,242)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		387,887
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	\$ 474,333	
Deferred inflows of resources	<u>(1,036,831)</u>	(562,498)
Long-term liabilities, including general obligation bonds payable, termination benefits payable, other post employment benefits payable, bus lease payable and the net pension liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(8,782,816)</u>
<b>Net position of governmental activities(page 20)</b>		<u><u>\$ 5,397,456</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

	General	Management Levy	Capital Projects	Nonmajor	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 3,102,343	99,741	495,863	-	3,697,947
Tuition	136,141	-	-	-	136,141
Other	209,698	11,998	60,970	196,871	479,537
State sources	2,849,526	783	566,455	-	3,416,764
Federal sources	182,097	-	-	-	182,097
Total revenues	<u>6,479,805</u>	<u>112,522</u>	<u>1,123,288</u>	<u>196,871</u>	<u>7,912,486</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	3,152,847	193,444	-	-	3,346,291
Special	860,075	-	-	-	860,075
Other	608,629	-	-	188,233	796,862
	<u>4,621,551</u>	<u>193,444</u>	<u>-</u>	<u>188,233</u>	<u>5,003,228</u>
Support services:					
Student	102,834	-	-	-	102,834
Instructional staff	199,784	-	98,520	-	298,304
Administration	440,128	68,880	71,104	-	580,112
Operation and maintenance of plant	538,736	91,298	64,028	-	694,062
Transportation	396,560	9,082	184,535	-	590,177
	<u>1,678,042</u>	<u>169,260</u>	<u>418,187</u>	<u>-</u>	<u>2,265,489</u>
Non-instructional programs:					
Community service operations	5,753	-	-	-	5,753
Capital outlay	-	-	3,339,948	-	3,339,948
Long-term debt:					
Principal	-	-	-	350,000	350,000
Interest and fiscal charges	-	-	-	158,528	158,528
	<u>-</u>	<u>-</u>	<u>-</u>	<u>508,528</u>	<u>508,528</u>
Other expenditures:					
AEA flowthrough	262,806	-	-	-	262,806
Total expenditures	<u>6,568,152</u>	<u>362,704</u>	<u>3,758,135</u>	<u>696,761</u>	<u>11,385,752</u>
Deficiency of revenues under expenditures	(88,347)	(250,182)	(2,634,847)	(499,890)	(3,473,266)
Other financing sources(uses):					
Transfer in	-	-	-	501,528	501,528
Transfer out	-	-	(501,528)	-	(501,528)
Sale of equipment	413	-	-	-	413
Proceeds from bus lease	-	-	112,197	-	112,197
Total other financing sources(uses)	<u>413</u>	<u>-</u>	<u>(389,331)</u>	<u>501,528</u>	<u>112,610</u>
Change in fund balances	(87,934)	(250,182)	(3,024,178)	1,638	(3,360,656)
Fund balances beginning of year	<u>940,631</u>	<u>1,406,457</u>	<u>3,846,521</u>	<u>589,034</u>	<u>6,782,643</u>
Fund balances end of year	<u>\$ 852,697</u>	<u>1,156,275</u>	<u>822,343</u>	<u>590,672</u>	<u>3,421,987</u>

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2015

**Change in fund balances - total governmental funds**(page 24) \$ (3,360,656)

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

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

Capital outlay	\$ 3,059,627	
Depreciation expense	(808,890)	
Loss on disposal	<u>(6,356)</u>	2,244,381

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

Issued	(112,197)	
Repaid	<u>350,000</u>	237,803

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (2,031)

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 343,368

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 92,412

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

Termination benefits	365,200	
Pension expense	(148,150)	
Other postemployment benefits	<u>(35,508)</u>	<u>181,542</u>

**Change in net position of governmental activities**(page 21) \$ (263,181)

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015

	School Nutrition	Cougar's Den Daycare	Total
<b>ASSETS</b>			
Current assets:			
Cash and pooled investments	\$ 54,375	82,847	137,222
Accounts receivable	-	10,377	10,377
Due from other governments	-	2,293	2,293
Inventories	4,961	-	4,961
Total current assets	<u>59,336</u>	<u>95,517</u>	<u>154,853</u>
Non-current assets:			
Capital assets, net of accumulated depreciation	97,447	32,519	129,966
<b>TOTAL ASSETS</b>	<u>156,783</u>	<u>128,036</u>	<u>284,819</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	<u>10,558</u>	<u>27,381</u>	<u>37,939</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	225	2,694	2,919
Salaries and benefits payable	712	16,300	17,012
Unearned revenue	5,095	-	5,095
Total current liabilities	<u>6,032</u>	<u>18,994</u>	<u>25,026</u>
Long-term liabilities:			
Net pension liability	59,124	130,330	189,454
Net OPEB liability	-	588	588
Total noncurrent liabilities	<u>59,124</u>	<u>130,918</u>	<u>190,042</u>
<b>TOTAL LIABILITIES</b>	<u>65,156</u>	<u>149,912</u>	<u>215,068</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related deferred inflows	<u>25,744</u>	<u>56,750</u>	<u>82,494</u>
<b>NET POSITION</b>			
Net investment in capital assets	97,447	32,519	129,966
Unrestricted	(21,006)	(83,764)	(104,770)
<b>TOTAL NET POSITION</b>	<u>\$ 76,441</u>	<u>(51,245)</u>	<u>25,196</u>

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015

	School Nutrition	Cougar's Den Daycare	Total
<b>OPERATING REVENUE:</b>			
Local sources:			
Charges for service	\$ 137,620	303,366	440,986
Donations	-	37,421	37,421
Miscellaneous	1,216	-	1,216
<b>TOTAL OPERATING REVENUES</b>	<b>138,836</b>	<b>340,787</b>	<b>479,623</b>
<b>OPERATING EXPENSES:</b>			
Operation and maintenance of plant:			
Services	192	7,298	7,490
Supplies	-	14,320	14,320
Total support services	192	21,618	21,810
Non-instructional programs:			
Food service operations:			
Salaries	90,751	-	90,751
Benefits	12,075	-	12,075
Supplies	165,397	-	165,397
Depreciation	20,898	-	20,898
Other	1,379	-	1,379
	290,500	-	290,500
Community service operations:			
Salaries	-	247,480	247,480
Benefits	-	30,581	30,581
Supplies	-	37,521	37,521
Depreciation	-	3,728	3,728
Other	-	1,259	1,259
	-	320,569	320,569
Total non-instructional programs	290,500	320,569	611,069
<b>TOTAL OPERATING EXPENSES</b>	<b>290,692</b>	<b>342,187</b>	<b>632,879</b>
<b>OPERATING LOSS</b>	<b>(151,856)</b>	<b>(1,400)</b>	<b>(153,256)</b>
<b>NON-OPERATING REVENUES:</b>			
State sources	2,529	-	2,529
Federal sources	154,359	15,776	170,135
Interest income	154	-	154
<b>TOTAL NON-OPERATING REVENUES</b>	<b>157,042</b>	<b>15,776</b>	<b>172,818</b>
Change in net position before other financing sources	5,186	14,376	19,562
<b>OTHER FINANCING SOURCES:</b>			
Capital Contributions	87,392	-	87,392
Change in net position	92,578	14,376	106,954
Net position beginning of year, as restated	(16,137)	(65,621)	(81,758)
Net position end of year	\$ 76,441	(51,245)	25,196

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015

	School Nutrition	Cougar's Den Daycare	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 138,401	-	138,401
Cash received from daycare operations	-	300,654	300,654
Cash received from miscellaneous sources	1,216	37,421	38,637
Cash payments to employees for services	(105,743)	(287,151)	(392,894)
Cash payments to suppliers for goods or services	(140,353)	(61,774)	(202,127)
Net cash used in operating activities	<u>(106,479)</u>	<u>(10,850)</u>	<u>(117,329)</u>
Cash flows from non-capital financing activities:			
State grants received	2,529	-	2,529
Federal grants received	129,246	14,101	143,347
Net cash provided by non-capital financing activities	<u>131,775</u>	<u>14,101</u>	<u>145,876</u>
Cash flows from investing activities:			
Interest on investments	154	-	154
Net increase in cash and pooled investments	25,450	3,251	28,701
Cash and pooled investments at beginning of year	28,925	79,596	108,521
Cash and pooled investments at end of year	<u>\$ 54,375</u>	<u>82,847</u>	<u>137,222</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (151,856)	(1,400)	(153,256)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities used	25,113	-	25,113
Depreciation	20,898	3,728	24,626
Decrease in inventories	1,277	-	1,277
Increase in accounts receivable	-	(2,712)	(2,712)
(Decrease) Increase in accounts payable	225	(1,376)	(1,151)
Increase in salaries and benefits payable	712	2,907	3,619
Increase in unearned revenue	781	-	781
Decrease in net pension liability	(27,526)	(60,676)	(88,202)
Increase in deferred outflows of resources	(1,847)	(8,178)	(10,025)
Increase in deferred inflows of resources	25,744	56,750	82,494
Increase in other postemployment benefits	-	107	107
Net cash used in operating activities	<u>\$ (106,479)</u>	<u>(10,850)</u>	<u>(117,329)</u>

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at \$25,113.

During the year ended June 30, 2015, the District received capital contributions valued at \$87,392 from the Capital Projects: Statewide Sales, Services and Use Tax Fund

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015

	Private Purpose Trust Scholarship	Agency
<b>ASSETS</b>		
Cash and pooled investments	\$ 45,988	20,898
<b>LIABILITIES</b>		
Due to other groups	-	20,898
<b>NET POSITION</b>		
Held in trust for scholarships	\$ 45,988	-

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 1,800
Interest	<u>199</u>
Total additions	<u>1,999</u>
Deductions:	
Regular instruction:	
Scholarships awarded	<u>179</u>
Change in net position	1,820
Net position beginning of year	<u>44,168</u>
Net position end of year	<u>\$ 45,988</u>

SEE NOTES TO FINANCIAL STATEMENTS.

AGWSR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

**Note 1. Summary of Significant Accounting Policies**

The AGWSR Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Ackley, Geneva, Wellsburg, and Steamboat Rock, Iowa, and the predominantly agricultural territory in Grundy, Franklin and Butler Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

**A. Reporting Entity**

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

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

**B. Basis of Presentation**

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

The Statement of Net Position presents the District's 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 plus unspent bond proceeds and reduced by outstanding principal balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

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

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

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

The District reports the following major governmental funds:

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

The Management Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the management property tax levy including District property insurance and early retiree obligations.

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

The District also reports the following nonmajor proprietary funds:

The District's proprietary funds are the School Nutrition Fund and the Cougar's Den Daycare Funds. The School Nutrition Fund is used to account for the food service operations of the District. The Cougar's Den Daycare Fund is used to account for the day care services provided to citizens of the District.

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

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

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

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

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

satisfied.

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

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

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

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

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

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

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

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

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

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

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

**Property Receivable** - Property tax in Governmental Funds are accounted for using the modified

accrual basis of accounting.

Property tax revenue is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

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

**Inventories** - The Enterprise Fund inventories are accounted for using the consumption method by which inventory acquisitions are recorded in inventory accounts when purchased or received by other means and are charged to operations when consumed or sold. The enterprise fund inventory consists primarily of food, with purchased food recorded at the lower cost (first-in, first-out method) or market and food commodities which were received from the federal government recorded at the contributed value as of the date received.

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

Asset Class	Amount
Land	\$ 5,000
Buildings and improvements	5,000
Land improvements	5,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings and improvements	20-50 years
Land improvements	20-25 years
Intangibles	3-10 years
Machinery and equipment	5-20 years

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

**Salaries and Benefits Payable** - Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the current school year, but which have balances payable in July and August have been accrued as liabilities.

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

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

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

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

**Pensions** - For purpose 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 Employee's 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.

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

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

**Assigned** - Amounts are not available for appropriation but are set aside for a specific purpose. The assigned fund balances in the District's General Fund are for smaller projects that are not able to be accounted for in other governmental funds.

**Unassigned** - All amounts not included in the proceeding classifications.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. For the year ended June 30, 2015 the District exceeded certified budgeted amounts in the other expenditures functional area as well as in total.

**Note 2. Cash and Pooled Investments**

The District’s deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$5,300 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor’s Financial Services.

Investments in common stock are stated at the approximate fair value based on the closing price for the stock on June 30, 2015. Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange rates. At June 30, 2015, the District owned 134 shares of Prudential stock at a fair value of \$11,728.

Interest rate risk: The District’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) in 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 District.

**Note 3. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects:	
	Statewide Sales, Services and Use Tax	<u>\$ 501,528</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax to the Debt Service Fund was needed for principal and interest payments on the District’s general obligation bonds.

#### **Note 4. Capital Assets**

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 311,674	-	-	311,674
Construction in progress	4,599,496	2,595,669	7,195,165	-
Total capital assets not being depreciated	4,911,170	2,595,669	7,195,165	311,674
Capital assets being depreciated:				
Buildings and improvements	6,860,979	7,346,807	-	14,207,786
Land improvements	1,017,004	52,541	-	1,069,545
Machinery and equipment	3,181,031	259,775	433,930	3,006,876
Total capital assets being depreciated	11,059,014	7,659,123	433,930	18,284,207
Less accumulated depreciation for:				
Buildings and improvements	4,211,094	496,646	-	4,707,740
Land improvements	701,861	30,298	-	732,159
Machinery and equipment	2,353,472	281,946	427,574	2,207,844
Total accumulated depreciation	7,266,427	808,890	427,574	7,647,743
Total capital assets being depreciated, net	3,792,587	6,850,233	6,356	10,636,464
Governmental activities capital assets, net	\$ 8,703,757	9,445,902	7,201,521	10,948,138
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 285,129	87,392	-	372,521
Less accumulated depreciation	217,929	24,626	-	242,555
Business-type activities capital assets, net	\$ 67,200	62,766	-	129,966

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 143,465
Other	13,182

Support services:

Administration	11,884
Operation and maintenance of plant	5,300
Transportation	108,115
	<u>281,946</u>

Unallocated depreciation

526,944

Total governmental activities depreciation expense \$ 808,890

Business type activities:

Food service operations	\$ 20,898
Community service operations	3,728
Total business type activities depreciation expense	<u>\$ 24,626</u>

**Note 5. Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year Restated	Additions	Deletions	End of Balance End of	Due Within One Year
<b><u>Governmental Activities:</u></b>					
General obligation bonds	\$ 6,155,000	-	350,000	5,805,000	350,000
Bus lease	-	112,197	-	112,197	55,365
Termination benefits	654,294	-	365,200	289,094	150,310
Net Pension liability	3,489,725	-	1,108,560	2,381,165	-
Net OPEB liability	159,852	35,508	-	195,360	-
Total	\$ 10,458,871	147,705	1,823,760	8,782,816	555,675

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
<b><u>Business type Activities:</u></b>					
Net Pension liability	\$ 277,656	-	88,202	189,454	-
Net OPEB liability	481	107	-	588	-
Total	\$ 278,137	107	88,202	190,042	-

**General Obligation Bonds**

Details of the District's June 30, 2015 general obligation indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2013				
	Interest Rate	Principal	Interest	Total	
2016	2.00 %	\$ 350,000	151,528	501,528	
2017	2.00	355,000	144,528	499,528	
2018	2.00	360,000	137,428	497,428	
2019	2.00	365,000	130,228	495,228	
2020	2.00	375,000	122,928	497,928	
2021-2025	2.00-3.00	1,985,000	487,487	2,472,487	
2026-2030	3.00-3.45	2,015,000	183,590	2,198,590	
Total		\$ 5,805,000	1,357,717	7,162,717	

**Bus Lease**

The District entered into a bus lease agreement with De Lage Landen Public Finance LLC. Details of the District's lease indebtedness for the year ended June 30, 2015 are as follows:

Year Ending June 30,	Bus Lease Dated August 13, 2014				
	Interest Rate	Principal	Interest	Total	
2016	2.65 %	\$ 55,365	2,973	58,338	
2017	2.65	56,832	1,506	58,338	
		\$ 112,197	4,479	116,676	

### **Termination Benefits**

The District offered a voluntary early retirement plan to employees. Eligible employees must have completed at least fifteen years of continuous service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits are equal to 50% of the employee's annual regular salary, not including any supplemental payments received by the employee for extracurricular or co-curricular duties, in effect during the employee's last year of employment.

Early retirement benefits will be paid in two equal installments beginning in July following the start of retirement. The first payment occurred on July 10, 2014 and the second payment will be made in July 2015.

At June 30, 2015, the District has obligations to nine participants with a total liability of \$289,094. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$365,200.

### **Note 6. Pension Plan**

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

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

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

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

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent 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 percent 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 - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$370,887.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$2,570,619 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's collective proportion was 0.063518 percent, which was a decrease of 0.003820 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2015, the District recognized pension expense of \$159,936. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 27,938	\$ -
Changes of assumptions	113,447	-
Net difference between projected and actual earnings on pension plan investments	-	980,360
Changes in proportion and differences between District contributions and proportionate share of contributions	-	138,965
District contributions subsequent to the measurement date	370,887	-
<b>Total</b>	<b>\$ 512,272</b>	<b>\$ 1,119,325</b>

\$370,887 reported as deferred outflows of resources related to pensions resulting from the

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (244,525)
2017	(244,525)
2018	(244,525)
2019	(244,525)
2020	158
	\$ (977,942)

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

The long-term expected rate of return on 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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be

made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentagepoint higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 4,857,113	\$ 2,570,619	\$ 640,582

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](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$52,157 for legally required employer contributions and \$34,752 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

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

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 66 active and 5 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 47,451
Interest on net OPEB obligation	4,008
Adjustment to annual required contribution	(9,770)
Annual OPEB cost	<u>41,689</u>
Contributions made	<u>(6,074)</u>
Increase in net OPEB obligation	35,615
Net OPEB obligation beginning of year	160,333
Net OPEB obligation end of year	<u><u>\$ 195,948</u></u>

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, 2015.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 38,424	15.40%	\$ 127,688
2014	38,949	16.19%	160,333
2015	41,689	14.57%	195,948

***Funded Status and Funding Progress*** - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$296,271, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$296,271. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,256,527, and the ratio of the UAAL to covered payroll was 9.1%. As of June 30, 2015, there were no trust fund assets.

***Actuarial Methods and Assumptions*** - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**Note 8. Risk Management**

The AGWSR Community School District is a member in the Iowa School Employees Benefits Association, fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: health, dental, and vision.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2015 was \$535,519.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

AGWSR Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

**Note 9. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$262,806 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 10. Categorical Funding**

The District's ending restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
LEP weighting	\$ 14,876
Home School Assistance Program	75,888
At-risk supplemental weighting	18,945
Gifted and talented	74,245
Dropout and dropout prevention	5,174
Teacher Salary Supplement	34,740
Four-year-old preschool	117,377
Successful progression for early readers	28,876
Professional development for model core curriculum	19,102
Professional Development	9,259
Teacher leadership grants	497
Total	<u>\$ 398,979</u>

**Note 11. 28 E Management Agreement**

The District participates in a 28E management agreement with the City of Ackley to provide service and management of a child care facility servicing residents of the Ackley area. The agreement is to remain in effect until either the District or the City of Ackley wishes to terminate the agreement.

The following are the terms agreed upon by the District and the City of Ackley concerning the child care facility:

The City of Ackley (City) agrees to purchase from the school and maintain ownership of the lot for the daycare facility. The City agrees to pay principal and interest due on the Rural Development Loan that the City obtained from the United States Department of Agriculture. The City will be responsible for property and casualty insurance on the daycare facility. The City will provide water, sewer and yard care services for the daycare facility as well as reimbursing the District \$8,000 per year for utilities. The City will be responsible for payment of emergency repairs to the daycare facility in excess of \$1,000.

The District agrees to be responsible for the hiring of the daycare staff, providing their salaries and benefit packages, providing certificate of liability insurance for all staff and students, providing custodial maintenance for the facility, providing food servings for daycare students and staff, providing furnishings and personal property and equipment, and for maintaining proper licensing, certifications and accreditation as necessary to operate and manage the facility. The District will maintain compliance with appropriate third-party requirements, such as Department of Human Services. The District shall pay the City \$5,000 annually as a lease payment for the daycare facility which will be used by the City as part of the payment of principal and interest due on the City's Rural Development Loan with the United States Department of Agriculture. The District will be responsible for payment of all utility costs of the daycare facility. The District also agrees to sublease a space to MICA Headstart, an educational program sponsored by the federal government. The District will be responsible for providing general maintenance and repairs of under \$1,000, to keep the facility functional and in good repair. The District shall provide monthly and annual reports to the City covering appropriate financial and operational statistics of the daycare facility.

#### **Note 12. Budget Overexpenditures**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2015 expenditures in the other expenditures functional area as well as total expenditures exceeded budgeted amounts.

#### **Note 13. Deficit Balances**

The District had a deficit unrestricted net position in the Enterprise, School Nutrition fund of \$21,006 at June 30, 2015. The District also had a deficit unrestricted net position of \$83,764 and a total deficit net position of \$51,245 in the Enterprise Daycare Fund. As a result the District had a deficit unrestricted net position of \$104,770 in its business type activities and a deficit unrestricted net position of \$2,297,418 on its governmental activities at June 30, 2015.

#### **Note 14. Detailed Reconciliation of Governmental Fund Balances to Net Position**

The following is the detailed reconciliation of the governmental funds balance sheet to the Statement of Net Position:

	Invested in Capital Assets	Debt Service	Management Levy	Unassigned/ Unrestricted
Fund Balance (Exhibit C)	\$ -	501,528	1,156,275	438,636
Capital assets, net of accumulated depreciation	10,948,138	-	-	-
General obligation bond capitalized indebtedness	(5,805,000)	-	-	-
Bus Capitalized indebtedness	(112,197)	-	-	-
Termination benefits payable	-	-	(289,094)	-
Income surtax	-	-	-	387,887
Accrued interest payable	-	(15,242)	-	-
Assigned fund balance	-	-	-	15,082
Net pension liability	-	-	-	(2,381,165)
Pension related deferred outflows	-	-	-	474,333
Pension related deferred inflows	-	-	-	(1,036,831)
Net OPEB liability	-	-	-	(195,360)
Net position (Exhibit A)	\$ 5,030,941	486,286	867,181	(2,297,418)

### **Note 15. Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities		
		School Nutrition	Cougar Daycare	Total
Net position June 30, 2014, as previously reported	\$ 8,799,518	\$ 61,802	106,182	167,984
Net pension liability at June 30, 2014	(3,489,725)	(86,650)	(191,006)	(277,656)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	350,844	8,711	19,203	27,914
Net position July 1, 2014, as restated	\$ 5,660,637	\$ (16,137)	(65,621)	(81,758)

REQUIRED SUPPLEMENTARY INFORMATION

AGWSR COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES  
 AND CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2015

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds Actual	Funds Actual		Original	Final	
Revenues:						
Local sources	\$ 4,313,625	479,777	4,793,402	5,583,829	5,583,829	(790,427)
State sources	3,416,764	2,529	3,419,293	2,980,296	2,980,296	438,997
Federal sources	182,097	170,135	352,232	325,000	325,000	27,232
Total revenues	7,912,486	652,441	8,564,927	8,889,125	8,889,125	(324,198)
Expenditures/expenses:						
Instruction	5,003,228	-	5,003,228	5,465,000	5,465,000	461,772
Support services	2,265,489	21,810	2,287,299	2,617,500	2,617,500	330,201
Non-instructional programs	5,753	611,069	616,822	727,000	727,000	110,178
Other expenditures	4,111,282	-	4,111,282	2,908,925	2,908,925	(1,202,357)
Total expenditures/expenses	11,385,752	632,879	12,018,631	11,718,425	11,718,425	(300,206)
Excess(Deficiency) of revenues over(under) expenditures/expenses	(3,473,266)	19,562	(3,453,704)	(2,829,300)	(2,829,300)	(624,404)
Other financing sources, net	112,610	87,392	200,002	-	-	200,002
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(3,360,656)	106,954	(3,253,702)	(2,829,300)	(2,829,300)	(424,402)
Balance beginning of year, as restated	6,782,643	(81,758)	6,700,885	6,506,299	6,506,299	194,586
Balance end of year	\$ 3,421,987	25,196	3,447,183	3,676,999	3,676,999	(229,816)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AGWSR COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2015

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

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

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

During the year ended June 30, 2015 District expenditures exceeded amounts budgeted in the other expenditures functional area as well as in total.

AGWSR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST FISCAL YEAR\*

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>
District's proportion of the net pension liability	0.063518%
District's proportionate share of the net pension liability	\$ 2,570,619
District's covered-employee payroll	\$ 4,153,266
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	61.89%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amount presented for each fiscal year were determined as of June 30.

**Note:** Only the current fiscal year is being presented using a June 30, 2014 measurement date because 10-year data is not yet available.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AGWSR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS

REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 370,887	378,758	373,104	338,114	257,222	282,426	275,951	254,018	235,967	248,965
Contributions in relation to the statutorily required contribution	(370,887)	(378,758)	(373,104)	(338,114)	(257,222)	(282,426)	(275,951)	(254,018)	(235,967)	(248,965)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 4,153,266	4,241,411	4,303,391	4,189,765	3,701,036	4,063,683	4,345,685	4,198,645	4,103,774	4,329,826
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AGWSR COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY

YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current 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 percent per year measured from the member's first unreduced retirement age to a 6 percent 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.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

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 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

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

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

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

AGWSR COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY

YEAR ENDED JUNE 30, 2015

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

AGWSR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 274,321	\$ 274,321	0.0%	\$ 3,095,000	8.9%
2011	July 1, 2009	-	272,869	272,869	0.0%	3,220,000	8.5%
2012	July 1, 2009	-	264,845	272,869	0.0%	3,260,000	8.1%
2013	July 1, 2012	-	313,487	313,487	0.0%	3,445,426	9.1%
2014	July 1, 2012	-	304,843	304,843	0.0%	3,242,979	9.4%
2015	July 1, 2012	-	296,271	296,271	0.0%	3,256,527	9.1%

See Note 7 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

AGWSR COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	Special Revenue		
	Student Activity	Debt Service	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 89,144	501,528	590,672
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities	\$ -	-	-
Fund balances:			
Restricted for:			
Debt service	-	501,528	501,528
Student activities	89,144	-	89,144
Total fund balances	89,144	501,528	590,672
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 89,144</b>	<b>501,528</b>	<b>590,672</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AGWSR COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2015

	Special Revenue		
	Student Activity	Debt Service	Total
REVENUES:			
Local sources:			
Other	\$ 196,871	-	196,871
EXPENDITURES:			
Current:			
Instruction:			
Other	188,233	-	188,233
Long-term debt:			
Principal	-	350,000	350,000
Interest and fiscal charges	-	158,528	158,528
Total expenditures	188,233	508,528	696,761
Excess (Deficiency) of revenues over (under) expenditures	8,638	(508,528)	(499,890)
OTHER FINANCING SOURCES:			
Transfer in	-	501,528	501,528
Change in fund balances	8,638	(7,000)	1,638
Fund balances beginning of year	80,506	508,528	589,034
Fund balances end of year	\$ 89,144	501,528	590,672

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AGWSR COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 59,757	696,304	756,061
Receivables:			
Property tax:			
Delinquent	-	1,901	1,901
Succeeding year	-	243,405	243,405
Income surtax	-	387,887	387,887
Accounts	-	11,006	11,006
Due from other governments	87,698	-	87,698
<b>TOTAL ASSETS</b>	<b>\$ 147,455</b>	<b>1,340,503</b>	<b>1,487,958</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 31,842	2,481	34,323
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	243,405	243,405
Income surtax	-	387,887	387,887
Total deferred inflows of resources	-	631,292	631,292
Fund balances:			
Restricted for:			
School infrastructure	115,613	-	115,613
Physical plant and equipment levy	-	706,730	706,730
Total fund balances	115,613	706,730	822,343
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 147,455</b>	<b>1,340,503</b>	<b>1,487,958</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AGWSR COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	General Obligation Bond Construction	Physical Plant and Equipment Levy	
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ -	-	495,863	495,863
Other	6,008	15,476	39,486	60,970
State sources	564,879	-	1,576	566,455
Total revenues	<u>570,887</u>	<u>15,476</u>	<u>536,925</u>	<u>1,123,288</u>
<b>EXPENDITURES:</b>				
Current:				
Support services:				
Instructional staff	-	-	98,520	98,520
Administration	-	-	71,104	71,104
Operation and maintenance of plant	-	-	64,028	64,028
Transportation	-	-	184,535	184,535
Capital outlay	821,376	2,199,817	318,755	3,339,948
Total expenditures	<u>821,376</u>	<u>2,199,817</u>	<u>736,942</u>	<u>3,758,135</u>
Deficiency of revenues under expenditures	(250,489)	(2,184,341)	(200,017)	(2,634,847)
Other financing sources(uses):				
Transfer out	(501,528)	-	-	(501,528)
Proceeds from bus lease	-	-	112,197	112,197
Total other financing sources(uses)	<u>(501,528)</u>	<u>-</u>	<u>112,197</u>	<u>(389,331)</u>
Change in fund balances	(752,017)	(2,184,341)	(87,820)	(3,024,178)
Fund balances beginning of year	<u>867,630</u>	<u>2,184,341</u>	<u>794,550</u>	<u>3,846,521</u>
Fund balances end of year	<u>\$ 115,613</u>	<u>-</u>	<u>706,730</u>	<u>822,343</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AGWSR COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Speech	\$ 810	3,716	3,836	690
Cross country	528	-	-	528
Boys basketball	3,706	7,233	6,233	4,706
Football	13,492	27,031	29,717	10,806
Baseball	-	3,971	3,971	-
Boys track	-	1,563	1,563	-
Boys golf	-	160	160	-
Boys bowling	886	-	-	886
Wrestling	-	5,587	5,107	480
Girls basketball	7,188	7,642	7,983	6,847
Volleyball	4,727	10,348	8,511	6,564
Softball	-	13,557	12,459	1,098
Girls track	-	1,047	1,047	-
Girls golf	-	520	488	32
Athletics	2,449	11,050	2,376	11,123
After prom	125	173	199	99
Art club	559	-	-	559
Clay targeting club	612	-	-	612
Booster club donations	14	7,004	7,018	-
Cheerleaders	128	1,005	1,133	-
Class of 2015	1,899	-	1,524	375
Class of 2016	-	5,400	4,620	780
Class of 2014	70	-	-	70
Spring Musical/Play	1,022	300	283	1,039
Drill team	760	2,000	1,308	1,452
Elementary music fundraiser	376	-	-	376
Fall musical	2,640	1,245	838	3,047
FCCLA	86	694	293	487
FFA	10,927	49,136	57,651	2,412
Foreign language club	10	11	-	21
Mat club	141	-	-	141
Material for resale	14	-	-	14
Music trip fund	11,645	17,954	10,798	18,801
National honor society	180	260	193	247
Nurse	150	-	-	150
Student council	2,547	4,684	6,435	796
Torch	7,165	13,540	11,384	9,321
Youth basketball	241	-	-	241
Youth football	4,675	-	1,105	3,570
Flag football	734	40	-	774
<b>TOTAL</b>	<b>\$ 80,506</b>	<b>196,871</b>	<b>188,233</b>	<b>89,144</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AGWSR COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2015

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b><u>COUGAR IMPACT</u></b>				
ASSETS				
Cash and pooled investments	\$ 9,259	12,689	14,626	7,322
LIABILITIES				
Due to other groups	\$ 9,259	12,689	14,626	7,322
<b><u>COUGAR CONNECTION</u></b>				
ASSETS				
Cash and pooled investments	\$ 13,080	18,026	17,530	13,576
LIABILITIES				
Due to other groups	\$ 13,080	18,026	17,530	13,576
<b><u>TOTALS - ALL AGENCY FUNDS</u></b>				
ASSETS				
Cash and pooled investments	\$ 22,339	30,715	32,156	20,898
LIABILITIES				
Due to other groups	\$ 22,339	30,715	32,156	20,898

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 3,697,647	3,683,323	4,111,026	4,784,546	4,759,307	4,762,974	4,872,510	4,830,275	4,757,060	4,275,824
Tuition	136,141	187,628	192,068	187,371	322,770	240,815	237,111	252,150	232,604	343,758
Other	479,537	476,425	456,963	435,398	537,635	471,441	453,238	423,310	464,362	568,551
State sources	3,416,764	3,514,905	3,081,919	3,060,643	2,838,624	2,539,863	3,169,761	3,143,861	3,220,655	3,326,912
Federal sources	182,097	178,567	182,277	214,606	380,354	667,676	222,826	192,547	209,234	250,051
Total	\$ 7,912,186	8,040,848	8,024,253	8,682,564	8,838,690	8,682,769	8,955,446	8,842,143	8,883,915	8,765,096
Expenditures:										
Instruction:										
Regular	\$ 3,346,291	3,251,154	3,250,097	3,314,126	3,274,789	3,005,112	3,333,739	3,162,690	3,199,790	3,317,628
Special	860,075	875,116	943,730	1,022,076	998,301	1,058,571	1,084,424	1,014,283	1,026,015	1,008,315
Other	796,862	879,055	974,827	969,390	976,873	977,139	1,071,314	1,054,820	918,241	1,106,578
Support services:										
Student	102,834	84,123	70,414	73,338	89,139	95,915	48,586	58,624	87,292	106,019
Instructional staff	298,304	286,788	260,940	554,618	460,026	288,953	283,863	352,093	460,685	288,477
Administration	580,112	661,423	649,786	628,260	613,090	742,988	760,376	697,426	758,660	764,416
Operation and maintenance of plant	694,062	754,905	683,389	625,201	643,880	623,404	608,118	622,784	601,767	564,602
Transportation	590,177	614,845	509,692	523,922	505,955	605,266	582,492	474,441	540,451	531,060
Non-instructional programs	5,753	3,499	2,094	1,879	-	968	-	-	22,699	4,829
Capital outlay	3,339,948	4,120,839	649,941	205,770	239,347	264,197	434,232	441,775	262,830	89,747
Long-term debt:										
Principal	350,000	360,871	148,321	147,479	150,144	133,333	133,333	133,333	133,333	133,333
Interest and other charges	158,528	152,581	6,087	11,463	13,200	17,600	22,000	26,546	30,800	35,200
Other expenditures:										
AEA flow-through	262,806	263,236	255,367	263,495	296,938	295,137	260,298	253,638	251,670	246,678
Total	\$ 11,385,752	12,308,435	8,404,685	8,341,017	8,261,682	8,108,583	8,622,775	8,292,453	8,294,233	8,196,882

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of AGWSR Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 1, 2016.

**Internal Control Over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-15 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-B-15 and I-C-15 to be significant deficiencies.

## **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

## **Purpose of this Report**

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 1, 2016  
Newton, Iowa

AGWSR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-15 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over one or more of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash, reconciling.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Wire transfers - processing and approving.
- 7) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 8) Transfers - preparing and approving.
- 9) Financial reporting - preparing, reconciling and approving.
- 10) Computer systems - performing all general accounting functions and controlling all data input and output.
- 11) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

Response - The district is looking at options to segregate duties.

Conclusion – Response accepted.

- I-B-15 Purchase Orders - During our audit we noted the District currently uses purchase orders in the purchasing process, however, the Student Activity Fund had instances of invoices and purchases without purchase orders.

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

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

Response - The district is looking at starting to use a purchase order system.

Conclusion – Response Accepted

- I-C-15 Credit Card Procedures - We noted during our audit, that the District did not pay a credit card bills by the due date or in a timely manner. As a result, the District had to pay penalties interest and late fees that were unnecessary had the bills been processed timely.

Recommendation - The District should remit payments to credit card vendors in a timely manner to avoid unnecessary penalties and late fees.

Response - Additional staff has been hired to eliminate this issue.

Conclusion – Response accepted.

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

- II-A-15 Certified Budget - District expenditures for the year ended June 30, 2015 exceeded the certified budgeted amounts in the other expenditures program functional area and in total.

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

Response – This was an oversight and will be monitored more closely in the future.

Conclusion – Response accepted.

- II-B-15 Questionable Disbursements - We noted disbursement that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979, they are as follows:

**Sales Tax Reimbursements:** We noted that the District has credit cards which may be checked out for use by employees. We noted however, that reimbursements to employees for items purchased with personal credit cards for the full purchase price, including sales tax. As the District is a tax-exempt entity reimbursements for sales tax would not

appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review their procedures in place, and make necessary adjustments to comply with the Attorney General's opinion dated April 25, 1979.

Response – This will be noted and reviewed for future reimbursement.

Conclusion – Response accepted.

**Gift Cards** Noted the District purchased gift cards from the Student Activity Fund. Giving gift certificates/cards does not allow the board to “audit and allow” final purchases in accordance with Iowa Code Section 279.29 and does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - Gift cards and cash incentives are not an appropriate District purchase since Iowa Code Section 279.29 requires districts to “audit and allow” all bills. The gift cards do not provide the board with the ability to perform the required function of approval of the final purchase. The District should refrain from purchasing gift cards for any purpose, to be in accordance with the Attorney General's opinion dated April 25, 1979.

Response – Purchases like these will be monitored more closely.

Conclusion – Response accepted.

- II-C-15 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-15 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-15 Certified Enrollment - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-15 Deposits and Investments - The District's investment policy 704.3 appears to be in compliance with Chapter 12B and 12C of the Code of Iowa. However, during our audit, we noted the District received dividends from the ownership of Prudential stock. The District's ownership of Prudential stock does not appear to be in compliance with the District policy 704.3 and Chapters 12B and 12C of the Code of Iowa. We also noted the District did not name all official depositories in the board minutes.

Recommendation - The District should review Board policy 704.3 and Chapters 12B and 12C of the Code of Iowa. The Prudential stock should be sold and the District should invest in an investment that is in compliance with the District policy and Chapter

12B and 12C of the Code of Iowa.

Section 12C.2 of the Iowa Code states the board minutes “shall distinctly name each depository approved, and specify the maximum amount that may be kept on deposit in each depository.” The District should approve such a resolution.

Response – Contact has been made to begin the process of eliminating the ownership of stock. The official depository left off of the board minutes has been noted and will be included in next year’s approval.

Conclusion – Response accepted.

II-J-15 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the following information includes the amounts the District reported for the statewide sales, services, and use tax revenue in the District’s CAR including adjustments indentified during the fiscal year 2015 audit.

Beginning balance		\$	867,630
Revenues/transfers in:			
Sales tax revenues	\$	564,879	
Other local revenue		6,008	570,887
		<u>        </u>	<u>        </u>
Transfers from other funds:			1,438,517
Expenditures/transfers out:			
School infrastructure construction		821,376	
Transfers to other funds:			
Debt service fund		501,528	1,322,904
		<u>        </u>	<u>        </u>
Ending balance			<u><u>\$ 115,613</u></u>

For the year ended June 30, 2015, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

	<u>Rate of Levy Reduction Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars Reduced</u>
Debt service levy	\$ 1.50851	<u><u>\$ 501,528</u></u>

II-M-15 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. However, we noted accounts in the Student Activity Fund that do not appear to be extracurricular or cocurricular.

**Inactive Accounts** – We noted a material resale and a nurse account in the Student Activity Fund. These accounts are now accounted for in the General Fund. However, both of these accounts are inactive with a carrying balance in the Student Activity Fund.

Recommendation - The remaining balances in these accounts should be transferred to the General Fund where it can be expended for its intended purpose.

Response – This account has been cleared and coded inactive.

Conclusion – Response accepted.

II-N-15 Signing of Contracts - We noted during our audit that the Superintendent signed a bus lease contract with De Lage Landen Public Finance and the Athletic Director signed officiating contracts, According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District to comply with Chapter 291.1 of the Code of Iowa.

Response – This has been noted for future contracts.

Conclusion – Response accepted.

II-O-15 Financial Condition – The District had a deficit unrestricted net position of \$83,764 and total deficit net position of \$51,245 in the Cougar Den Daycare Fund. The Enterprise, School Nutrition Fund had a deficit unrestricted net position of \$21,006. The District had a deficit unrestricted net position of \$104,770 in its business type activities. The District also had a deficit unrestricted net position of \$2,287,418 in its governmental activities. The primary reason for these deficit net positions is due to the implementation of GASB statements No. 68 and No.71 during the year.

Recommendation – The District should take steps to ensure District administration and Board of Education understand this accounting change/restatement and how GASB 68 and 71 will affect the District’s financials moving forward.

Response - This has been discussed with the board.

Conclusion – Response accepted.