

ANDREW COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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Andrew Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Charlie Peters	President	2017
Randy Ernst	Vice President	2017
Allan W. Till	Board Member	2015
Yvonne Weimerskirch	Board Member	2015
Eric Strathman	Board Member	2015
School Officials		
Andy Crozier	Superintendent	2015
Karen Kilburg	District Secretary	2015
Adam Crigger	Business Manager	2015
Lane and Waterman	Attorney	2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of Andrew 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 Andrew Community School District, Andrew, 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 Andrew Community School District as of June 30, 2015, and the respective changes in financial position and, when applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 15 to the financial statements, Andrew Community School District adopted new accounting guidance related to Government 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 the Schedule of Funding Progress for Retiree Health Plan on pages 7 through 16 and 42 through 47 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 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 Andrew Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, 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 March 11, 2016, on our consideration so Andrew 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, 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 Andrew Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Andrew 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 \$3,156,592 in fiscal year 2014 to \$3,197,436 in fiscal year 2015 and General Fund expenditures decreased from \$3,017,287 in fiscal year 2014 to \$3,010,588 in fiscal year 2015. The District's General Fund balance increased from \$507,961 at June 30, 2014 to \$694,809 at June 30, 2015, a 36.78% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in other local revenues due to the District's shared superintendent. The decrease in expenditures is primarily due to a decrease in instruction expenditures incurred as compared to the prior year.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of the Statement of Net Position and the Statement of Activities. These provide information about the activities of Andrew 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 Andrew 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 Andrew 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 non-major governmental funds.

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

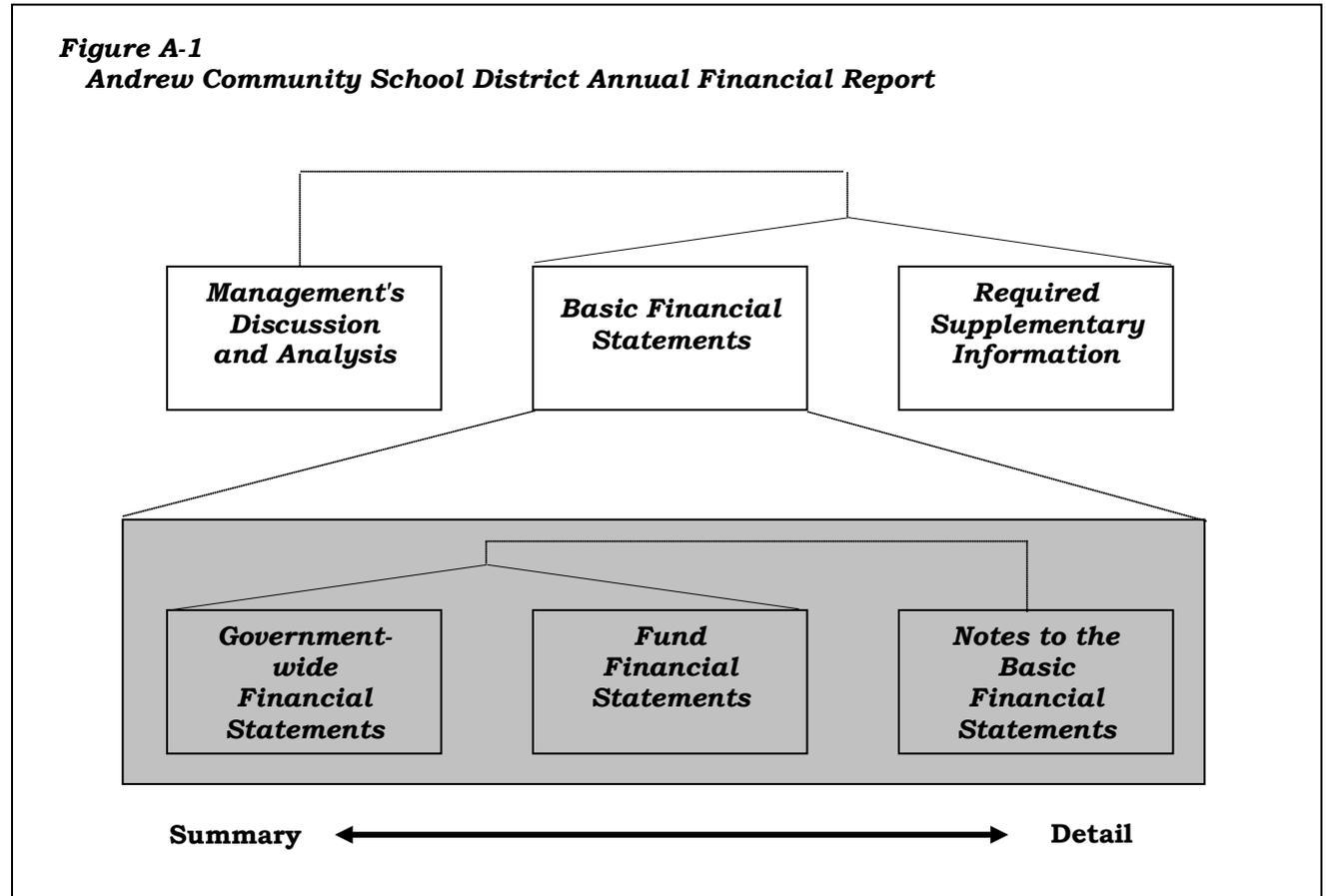


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, 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.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	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)	2014-15
Current and other assets	\$ 3,601,009	\$ 3,106,107	12,064	23,872	3,613,073	3,129,979	15.43%
Capital assets	1,003,631	897,888	12,244	15,471	1,015,875	913,359	11.22%
Total assets	4,604,640	4,003,995	24,308	39,343	4,628,948	4,043,338	14.48%
Deferred outflows of resources	142,624	-	3,537	-	146,161	-	100.00%
Long-term liabilities	792,218	158,387	20,003	3,325	812,221	161,712	402.26%
Other liabilities	438,994	414,586	384	1,004	439,378	415,590	5.72%
Total liabilities	1,231,212	572,973	20,387	4,329	1,251,599	577,302	116.80%
Deferred inflows of resources	1,665,288	1,215,065	6,699	-	1,671,987	1,215,065	37.60%
Net position:							
Net investment in capital assets	1,003,631	897,888	12,244	15,471	1,015,875	913,359	11.22%
Restricted	1,033,252	884,291	-	-	1,033,252	884,291	16.85%
Unrestricted	(186,119)	433,778	(11,485)	19,543	(197,604)	453,321	-143.59%
Total net position	\$ 1,850,764	\$ 2,215,957	759	35,014	1,851,523	2,250,971	-17.75%

The District's combined net position decreased by \$399,448, or 17.75%, from the prior year. A portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$148,961, or 16.85% from the prior year. The increase in restricted net position is primarily a result of the increase in amount restricted for management levy purposes as compared to previous year.

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 \$650,925 or 143.59%. This decrease in unrestricted net position is primarily a result of 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 \$847,467 and \$21,017, respectively, to retroactively report the net

pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 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	\$ 312,880	\$ 167,128	36,050	28,621	348,930	195,749	78.25%
Operating grants, contributions and restricted interest	290,058	259,234	59,518	60,693	349,576	319,927	9.27%
Capital grants, contributions and restricted interest	-	16,373	-	-	-	16,373	-100.00%
General revenues:							
Property tax	1,214,673	1,203,263	-	-	1,214,673	1,203,263	0.95%
Income surtax	146,084	150,841	-	-	146,084	150,841	-3.15%
Statewide sales, services and use tax	256,865	239,476	-	-	256,865	239,476	7.26%
Unrestricted state grants	1,581,227	1,545,009	-	-	1,581,227	1,545,009	2.34%
Unrestricted investment earnings	734	674	-	-	734	674	8.90%
Other	68,846	26,687	3,437	5,011	72,283	31,698	128.04%
Total revenues	3,871,367	3,608,685	99,005	94,325	3,970,372	3,703,010	7.22%
Program expenses:							
Instruction	2,164,502	2,434,129	-	-	2,164,502	2,434,129	-11.08%
Support services	1,055,307	831,881	1,297	-	1,056,604	831,881	27.01%
Non-instructional programs	-	-	113,628	95,265	113,628	95,265	19.28%
Other expenses	166,602	170,351	-	-	166,602	170,351	-2.20%
Total expenses	3,386,411	3,436,361	114,925	95,265	3,501,336	3,531,626	-0.86%
Excess(Deficiency) of revenues over(under) expenses	484,956	172,324	(15,920)	(940)	469,036	171,384	173.68%
Transfers	(2,682)	-	2,682	-	-	-	0.00%
Change in net position	482,274	172,324	(13,238)	(940)	469,036	171,384	173.68%
Net position beginning of year, as restated	1,368,490	2,043,633	13,997	35,954	1,382,487	2,079,587	-33.52%
Net position end of year	\$ 1,850,764	\$ 2,215,957	759	35,014	1,851,523	2,250,971	-17.75%

In fiscal year 2015, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 82.63% of the revenues from governmental activities while charges for service and operating grants, contributions and restricted interest accounted for 96.53% of the revenues in the business type activities.

The District's total revenues were approximately \$3.97 million of which approximately \$3.87 million was for governmental activities and approximately \$0.10 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7.22% increase in revenues and a 0.86% decrease in expenses. The increase in revenues can be attributed to an increase in charges for service revenues received as compared to the previous year while the decrease in expenses was related to decrease in instruction expenditures incurred as compared to the previous year.

Governmental Activities

Revenues for governmental activities were \$3,871,367 and expenses were \$3,386,411 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 and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not Restated)	Change 2014-15	2015	2014 (Not Restated)	Change 2014-15
Instruction	\$ 2,164,502	2,434,129	-11.08%	1,823,337	2,129,375	-14.37%
Support services	1,055,307	831,881	26.86%	911,379	809,916	12.53%
Other expenses	166,602	170,351	-2.20%	48,757	54,335	-10.27%
Totals	<u>\$ 3,386,411</u>	<u>3,436,361</u>	<u>-1.45%</u>	<u>2,783,473</u>	<u>2,993,626</u>	<u>-7.02%</u>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$312,880.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$290,058.
- The net cost of governmental activities was financed with \$1,214,673 in property tax, \$146,084 in income surtax, \$256,865 in statewide sales, services and use tax, \$1,581,227 in unrestricted state grants, \$734 in unrestricted investment earnings and \$68,846 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$99,005 and expenses were \$114,925 for the year ended June 30, 2015. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and other general revenues.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Andrew 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 \$1,588,729, above last year's ending combined fund balances of a \$1,300,942. The primary reason for the increase in combined fund balances during fiscal year 2015 is the improvement in the fund balance of the General Fund.

Governmental Fund Highlights

- The District's General Fund financial position is a product of many factors. The General Fund balance increased from \$507,961 at June 30, 2014 to \$694,809 at June 30, 2015, representing an increase of 36.78%. The increase in total revenues can be attributed to an increase other local revenues from sharing the Superintendent with a surrounding District. The decrease in total expenditures can be attributed to a decrease in instruction expenditures incurred as compared to the prior year.
- The Capital Projects Fund balance decreased from \$674,243 at June 30, 2014 to \$621,507 at June 30, 2015. This decrease was a result of an increase in capital outlay expenditures required for District project and building improvements as compared to the previous year.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased a restated net position of \$13,997 at July 1, 2014 to \$759 at June 30, 2015, representing a decrease of \$13,238 or 94.58%. The primary reason for this decrease in net position is an increase in salaries, benefits and supply expenses as compared to the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Andrew Community School District amended its budget one time to reflect additional expenditures in the support services function due to a shared superintendent and community coordinator.

The District's total revenues were \$234,156 more than total budgeted revenues, a variance of 6.28%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

Total expenditures were less 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 amended certified budget was exceeded in the other expenditures functional area during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$1,015,875, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 11.22% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$103,554.

The original cost of the District's capital assets was \$3,764,983. Governmental funds accounted for \$3,675,802 with the remainder of \$89,181 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$795,187 at June 30, 2015, compared to \$703,272 reported at June 30, 2014. This increase resulted from the capitalization of the District's roof project which was completed during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 7,201	\$ 7,201	-	-	7,201	7,201	0.00%
Buildings	795,187	703,272	-	-	795,187	703,272	13.07%
Land improvements	23,620	26,836	-	-	23,620	26,836	-11.98%
Machinery and equipment	177,623	160,579	12,244	15,471	189,867	176,050	7.85%
Total	\$ 1,003,631	897,888	12,244	15,471	1,015,875	913,359	11.22%

Long Term Debt

At June 30, 2015, the District had long-term debt payable of \$812,221. This represents an increase of 402.26% 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 statement.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
		(Not Restated)		(Not Restated)		(Not Restated)	
Computer lease	\$ -	13,635	-	-	-	13,635	-100.00%
Termination benefits	42,022	63,033	-	-	42,022	63,033	-33.33%
Net pension liability	658,441	-	16,329	-	674,770	-	100.00%
Net OPEB liability	91,755	81,719	3,674	3,325	95,429	85,044	12.21%
Total	\$ 792,218	158,387	20,003	3,325	812,221	161,712	402.26%

- The District had outstanding termination benefits payable from the Special Revenue: Management Levy Fund of \$42,022 at June 30, 2015.
- The District had a net pension liability of \$674,770 at June 30, 2015, \$658,441 is attributed to the District's governmental activities while \$16,329 is attributed to the District's business type activities.
- The District had a net OPEB liability of \$95,429 at June 30, 2015, \$91,755 is attributed to the District's governmental activities and \$3,674 is attributed to the District's business type activities.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Declining enrollment continues to be a trend for the district. The decline in enrollment, along with a large number of open enrolled out students and small increases in state supplemental aide create stagnant and declining revenue for the district. With no change in the immediate future in enrollment, the district could find itself in a trend of continued declining enrollment, and with that smaller revenue streams each year.

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 Adam Crigger, Business Manager, Andrew Community School District, 13 S. Marion St, P.O. Box 230, Andrew, Iowa, 52030.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 1,933,209	2,555	1,935,764
Receivables			
Property tax:			
Delinquent	14,638	-	14,638
Succeeding year	1,395,201	-	1,395,201
Income surtax	134,745	-	134,745
Accounts	-	3,515	3,515
Due from other governments	123,216	-	123,216
Inventories	-	5,994	5,994
Capital assets, net of accumulated depreciation	1,003,631	12,244	1,015,875
TOTAL ASSETS	4,604,640	24,308	4,628,948
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	142,624	3,537	146,161
LIABILITIES			
Accounts payable	251,304	-	251,304
Salaries and benefits payable	187,690	384	188,074
Long-term liabilities:			
Portion due within one year:			
Termination benefits payable	23,061	-	23,061
Portion due after one year:			
Termination benefits payable	18,961	-	18,961
Net pension liability	658,441	16,329	674,770
Net OPEB liability	91,755	3,674	95,429
TOTAL LIABILITIES	1,231,212	20,387	1,251,599
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	1,395,201	-	1,395,201
Pension related deferred inflows	270,087	6,699	276,786
TOTAL DEFERRED INFLOWS OF RESOURCES	1,665,288	6,699	1,671,987
NET POSITION			
Net investment in capital assets	1,003,631	12,244	1,015,875
Restricted for:			
Categorical funding	159,069	-	159,069
School infrastructure	594,561	-	594,561
Physical plant and equipment	26,946	-	26,946
Management levy purposes	167,858	-	167,858
Student activities	84,818	-	84,818
Unrestricted	(186,119)	(11,485)	(197,604)
TOTAL NET POSITION	\$ 1,850,764	759	1,851,523

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,428,329	150,179	17,314	(1,260,836)	-	(1,260,836)
Special	554,733	-	13,925	(540,808)	-	(540,808)
Other	181,440	36,784	122,963	(21,693)	-	(21,693)
	<u>2,164,502</u>	<u>186,963</u>	<u>154,202</u>	<u>(1,823,337)</u>	<u>-</u>	<u>(1,823,337)</u>
Support services:						
Student	88,573	-	-	(88,573)	-	(88,573)
Instructional staff	41,482	-	-	(41,482)	-	(41,482)
Administration	454,325	125,917	11,937	(316,471)	-	(316,471)
Operation and maintenance of plant	204,350	-	-	(204,350)	-	(204,350)
Transportation	266,577	-	6,074	(260,503)	-	(260,503)
	<u>1,055,307</u>	<u>125,917</u>	<u>18,011</u>	<u>(911,379)</u>	<u>-</u>	<u>(911,379)</u>
Long-term debt interest	90	-	-	(90)	-	(90)
Other expenses:						
AEA flowthrough	117,845	-	117,845	-	-	-
Depreciation(unallocated)*	48,667	-	-	(48,667)	-	(48,667)
	<u>166,512</u>	<u>-</u>	<u>117,845</u>	<u>(48,667)</u>	<u>-</u>	<u>(48,667)</u>
Total governmental activities	<u>3,386,411</u>	<u>312,880</u>	<u>290,058</u>	<u>(2,783,473)</u>	<u>-</u>	<u>(2,783,473)</u>
Business type activities:						
Support services:						
Operation and maintenance of plant	1,297	-	-	-	(1,297)	(1,297)
Non-instructional programs:						
Food service operations	113,628	36,050	59,518	-	(18,060)	(18,060)
Total business type activities	<u>114,925</u>	<u>36,050</u>	<u>59,518</u>	<u>-</u>	<u>(19,357)</u>	<u>(19,357)</u>
Total	<u>\$ 3,501,336</u>	<u>348,930</u>	<u>349,576</u>	<u>(2,783,473)</u>	<u>(19,357)</u>	<u>(2,802,830)</u>
General Revenues and Transfers:						
Property tax levied for:						
General purposes			\$ 1,058,241	-		1,058,241
Capital outlay			156,432	-		156,432
Income surtax			146,084	-		146,084
Statewide sales, services and use tax			256,865	-		256,865
Unrestricted state grants			1,581,227	-		1,581,227
Unrestricted investment earnings			734	-		734
Other			68,846	3,437		72,283
Transfers			(2,682)	2,682		-
Total general revenues and transfers			<u>3,265,747</u>	<u>6,119</u>		<u>3,271,866</u>
Change in net position			482,274	(13,238)		469,036
Net position beginning of year, as restated			<u>1,368,490</u>	<u>13,997</u>		<u>1,382,487</u>
Net position end of year			<u>\$ 1,850,764</u>	<u>759</u>		<u>1,851,523</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 1,009,696	610,169	270,004	1,889,869
Receivables:				
Property tax:				
Delinquent	10,344	1,885	2,409	14,638
Succeeding year	1,234,404	160,797	-	1,395,201
Income surtax	134,745	-	-	134,745
Due from other governments	83,163	40,053	-	123,216
TOTAL ASSETS	\$ 2,472,352	812,904	272,413	3,557,669
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 220,704	30,600	-	251,304
Salaries and benefits payable	187,690	-	-	187,690
Total liabilities	408,394	30,600	-	438,994
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,234,404	160,797	-	1,395,201
Income surtax	134,745	-	-	134,745
Total deferred inflows of resources	1,369,149	160,797	-	1,529,946
Fund balances:				
Restricted for:				
Categorical funding	159,069	-	-	159,069
School infrastructure	-	594,561	-	594,561
Physical plant and equipment	-	26,946	-	26,946
Management levy purposes	-	-	209,880	209,880
Student activities	-	-	84,818	84,818
Unassigned:				
General	535,740	-	-	535,740
Student activities	-	-	(22,285)	(22,285)
Total fund balances	694,809	621,507	272,413	1,588,729
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,472,352	812,904	272,413	3,557,669

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)	\$	1,588,729
 <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.		1,003,631
Accounts receivable income surtax are not yet available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		134,745
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		43,340
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	\$ 142,624	
Deferred inflows of resources	<u>(270,087)</u>	\$ (127,463)
Long-term liabilities, including the net pension liability, termination benefits payable and other postemployment benefits payable, are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds.		<u>(792,218)</u>
Net position of governmental activities(page 18)	\$	<u><u>1,850,764</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
REVENUES:				
Local sources:				
Local tax	\$ 996,094	156,432	199,994	1,352,520
Tuition	97,936	-	-	97,936
Other	232,121	-	52,403	284,524
State sources	1,759,974	256,865	-	2,016,839
Federal sources	111,311	-	-	111,311
Total revenues	<u>3,197,436</u>	<u>413,297</u>	<u>252,397</u>	<u>3,863,130</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	1,430,500	-	21,011	1,451,511
Special	542,710	-	-	542,710
Other	143,073	-	26,854	169,927
	<u>2,116,283</u>	<u>-</u>	<u>47,865</u>	<u>2,164,148</u>
Support services:				
Student	59,445	-	-	59,445
Instructional staff	10,179	-	-	10,179
Administration	406,960	-	-	406,960
Operation and maintenance of plant	126,876	-	50,857	177,733
Transportation	173,000	61,503	-	234,503
	<u>776,460</u>	<u>61,503</u>	<u>50,857</u>	<u>888,820</u>
Capital outlay	-	390,248	-	390,248
Long-term debt:				
Principal	-	-	13,635	13,635
Interest and fiscal charges	-	-	647	647
	<u>-</u>	<u>-</u>	<u>14,282</u>	<u>14,282</u>
Other expenditure:				
AEA flowthrough	117,845	-	-	117,845
Total expenditures	<u>3,010,588</u>	<u>451,751</u>	<u>113,004</u>	<u>3,575,343</u>
Excess(Deficiency) of revenues over(under) expenditures	186,848	(38,454)	139,393	287,787
Other financing sources(uses):				
Transfer in	-	-	14,282	14,282
Transfer out	-	(14,282)	-	(14,282)
Total other financing sources(uses)	<u>-</u>	<u>(14,282)</u>	<u>14,282</u>	<u>-</u>
Change in fund balances	186,848	(52,736)	153,675	287,787
Fund balances beginning of year	<u>507,961</u>	<u>674,243</u>	<u>118,738</u>	<u>1,300,942</u>
Fund balances end of year	<u>\$ 694,809</u>	<u>621,507</u>	<u>272,413</u>	<u>1,588,729</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ANDREW 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 22) \$ 287,787

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. 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. Expenditures for capital outlay, depreciation expense and loss on disposal for the year are as follows:

Capital outlay	\$ 254,883	
Depreciation expense	(97,645)	
Loss on disposal	(51,495)	
		105,743

Income surtax receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 8,237

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. (6,223)

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. 13,635

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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 557

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. 106,410

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	21,011	
Pension expense	(44,847)	
Other postemployment benefits	(10,036)	
		(33,872)

Changes in net position of governmental activities(page 19) \$ 482,274

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type	
	Activities:	
	Enterprise	Governmental
	Fund	Activities:
	School	Internal
	Nutrition	Service
ASSETS		
Current assets:		
Cash and pooled investments	\$ 2,555	43,340
Accounts receivable	3,515	-
Inventories	5,994	-
	<u>12,064</u>	<u>43,340</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	12,244	-
TOTAL ASSETS	<u>24,308</u>	<u>43,340</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	3,537	-
LIABILITIES		
Current liabilities:		
Salaries and benefits payable	384	-
Noncurrent liabilities:		
Net pension liability	16,329	-
Net OPEB liability	3,674	-
	<u>20,003</u>	<u>-</u>
TOTAL LIABILITIES	<u>20,387</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	6,699	-
NET POSITION		
Net investment in capital assets	12,244	-
Unrestricted	(11,485)	43,340
TOTAL NET POSITION	<u>\$ 759</u>	<u>43,340</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type	
	Activities:	
	Enterprise	Governmental
	Fund	Activities:
	School	Internal
	Nutrition	Service
OPERATING REVENUES:		
Local sources:		
Charges for service	\$ 36,050	-
Miscellaneous	3,437	13,340
TOTAL OPERATING REVENUES	39,487	13,340
OPERATING EXPENSES:		
Support services:		
Administration		
Benefits	1,297	19,563
Non-instructional programs:		
Food service operations:		
Salaries	33,117	-
Benefits	12,293	-
Services	1,378	-
Supplies	60,007	-
Other	924	-
Depreciation	5,909	-
	113,628	-
TOTAL OPERATING EXPENSES	114,925	19,563
OPERATING LOSS	(75,438)	(6,223)
NON-OPERATING REVENUES:		
State sources	767	-
Federal sources	58,751	-
TOTAL NON-OPERATING REVENUES	59,518	-
Change in net position before other financing sources	(15,920)	(6,223)
Other financing sources:		
Capital contributions	2,682	-
Change in net position	(13,238)	(6,223)
Net position beginning of year, as restated	13,997	49,563
Net position end of year	\$ 759	43,340

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 33,423	-
Cash received from miscellaneous operating activities	3,437	13,340
Cash payments to employees for services	(47,207)	-
Cash payments to suppliers for goods or services	(50,996)	(19,563)
Net cash used in operating activities	(61,343)	(6,223)
Cash flows from non-capital financing activities:		
State grants received	767	-
Federal grants received	50,871	-
Net cash provided by non-capital financing activities	51,638	-
Net decrease in cash and pooled investments	(9,705)	(6,223)
Cash and pooled investments beginning of year	12,260	49,563
Cash and pooled investments end of year	\$ 2,555	43,340
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (75,438)	(6,223)
Adjustments to reconcile operating loss to net used in operating activities:		
Commodities consumed	14,087	-
Depreciation	5,909	-
Increase in inventories	(1,477)	-
Increase in accounts receivable	(2,627)	-
Decrease in salaries and benefits payable	(620)	-
Decrease in net pension liability	(7,094)	-
Increase in deferred inflows of resources	(1,131)	-
Increase in deferred inflows of resources	6,699	-
Increase in other postemployment benefits	349	-
Net cash used in operating activities	\$ (61,343)	(6,223)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received federal commodities valued at \$14,087.

During the year ended June 30, 2015, the District received capital contributions of \$2,682 from the Capital Projects: Physical Plant and Equipment Levy Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

ANDREW COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies

The Andrew Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through sixth. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Andrew, Iowa, and the predominate agricultural territory in Jackson County. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Andrew 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 Andrew 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 Jackson County Assessors' Conference Board.

B. Basis of Presentation

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

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 non-major governmental funds. Combining schedules are 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 expenses, including instructional, support and other costs.

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

The District reports the following non-major proprietary funds:

The District's proprietary funds are the Enterprise: School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded health insurance plan of the District. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Position and Statement of Activities.

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there 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 - restricted and then unassigned fund balances.

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

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

Asset Class	Amount
Land	\$ 2,000
Buildings	2,000
Land improvements	2,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

Asset Class	Estimated Useful Lives
Buildings	20-50 years
Land improvements	20 years
Intangibles	2 or more 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 expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

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

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

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

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

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

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

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

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amended certified budgeted amount in the other expenditures functional area.

Note 2. Cash and Pooled Investments

The District's deposits at June 30, 2015 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool 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 and the Treasurer of the State of Iowa; 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 no such investments.

Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,201	-	-	7,201
Total capital assets not being depreciated	7,201	-	-	7,201
Capital assets being depreciated:				
Buildings & Improvements	2,207,032	184,594	67,976	2,323,650
Land improvements	85,613	-	-	85,613
Machinery and equipment	1,197,049	70,289	8,000	1,259,338
Total capital assets being depreciated	3,489,694	254,883	75,976	3,668,601
Less accumulated depreciation for:				
Buildings	1,503,760	45,451	20,748	1,528,463
Land improvements	58,777	3,216	-	61,993
Machinery and equipment	1,036,470	48,978	3,733	1,081,715
Total accumulated depreciation	2,599,007	97,645	24,481	2,672,171
Total capital assets being depreciated, net	890,687	157,238	51,495	996,430
Governmental activities capital assets, net	\$ 897,888	157,238	51,495	1,003,631
Business type activities:				
Machinery and equipment	\$ 86,499	2,682	-	89,181
Less accumulated depreciation	71,028	5,909	-	76,937
Business type activities capital assets, net	\$ 15,471	(3,227)	-	12,244

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 2,733
Other	2,639
Support services:	
Administration	1,346
Operation and maintenance of plant	260
Transportation	42,000
	48,978
Unallocated depreciation	48,667
Total governmental activities depreciation expense	\$ 97,645
Business type activities:	
Food service operations	\$ 5,909

Note 4. Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 14,282

The Capital Projects: Statewide Sales, Services and Use Tax Fund transferred to the Debt Service Fund to pay the principle and interest on a computer lease.

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	Balance End of Year	Due Within One Year
Governmental activities:					
Termination benefits	\$ 63,033	-	21,011	42,022	23,061
Computer lease	13,635	-	13,635	-	-
Net pension liability	944,482	-	286,041	658,441	-
Net OPEB liability	81,719	10,036	-	91,755	-
Total	<u>\$ 1,102,869</u>	<u>10,036</u>	<u>320,687</u>	<u>792,218</u>	<u>23,061</u>
Business type activities:					
Net pension liability	\$ 23,423	-	7,094	16,329	-
Net OPEB liability	3,325	349	-	3,674	-
Total	<u>\$ 26,748</u>	<u>349</u>	<u>7,094</u>	<u>20,003</u>	<u>-</u>

Termination Benefits

The District did not offer an early retirement incentive to District employees during fiscal year 2015. However, the District offered a voluntary early retirement plan to its employees in fiscal year 2014. Eligible employees had to be at least age fifty-five and must have completed ten years of service as a full-time employee. Employees were required to complete an application, which was subject to approval by the Board of Education.

For fiscal year 2014 retirees the benefit was a choice between two options. Option 1 was a cash payment of \$30,000 paid over 3 years, with the first payment to be made in October of 2014. Option 2 was that the District will pay 100% of family medical insurance for the duration of 30 months and in the event of death, the remaining installments will be null and void.

As of June 30, 2015, the District has an obligation to two early retirees in the amount of \$42,022. Actual Early retirement expenditures were \$21,011 for the year ended June 30, 2015.

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.

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 \$109,049.

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 \$674,770 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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, 2014, the District's collective proportion was 0.0166730 percent, which was a decrease of 0.000422 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$45,960. 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	\$ 7,333	\$ -
Changes of assumptions	29,779	-
Net difference between projected and actual earnings on pension plan investments	-	257,338
Changes in proportion and differences between District contributions and proportionate share of contributions	-	19,448
District contributions subsequent to the measurement date	109,049	-
Total	<u>\$ 146,161</u>	<u>\$ 276,786</u>

\$109,049 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	\$ (60,207)
2017	(60,207)
2018	(60,207)
2019	(60,207)
2020	1,154
	<u>\$ (239,674)</u>

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	<u>100%</u>	

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-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the net pension liability	\$ 1,274,959	\$ 647,770	\$ 168,148

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$12,783 for legally required employer contributions and \$8,517 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 7. Other Postemployment Benefits

Plan Description - The District operates a single-employer employee health benefit plan, which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 25 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Cypress Benefit Administrators. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which result in an implicit rate subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$ 21,572
Interest on net OPEB obligation	2,126
Adjustment to annual required contribution	(7,730)
Annual OPEB cost	<u>15,968</u>
Contributions made	<u>(5,583)</u>
Increase in net OPEB obligation	10,385
Net OPEB obligation beginning of year	<u>85,044</u>
Net OPEB obligation end of year	<u><u>\$ 95,429</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 21,868	19.30%	\$ 66,318
2014	22,484	16.71	85,044
2015	15,968	34.96	95,429

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$160,156, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$160,156. The covered payroll (annual payroll of active employees covered by the plan) was \$1,081,165, and the ratio of the UAAL to covered payroll was 14.8%. 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 event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2011 actuarial valuation date, the Entry Age Actuarial Cost Method. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000 Society of Actuaries Study, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the 2006 Society of Actuaries. 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 District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. 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, vision and long-term disability.

The District's contributions, which include deficit recovery assessments, 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 were \$184,264.

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 notice may withdraw.

The District is exposed to various risks to 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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 \$117,845 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. Deficit Balances

At June 30, 2015, the Special Revenue: Student Activity Fund had 15 deficit accounts with a combined deficit unassigned fund balance of \$22,285. The District also had deficit unrestricted net position of \$11,485 in the School Nutrition Fund and deficit unrestricted net position of \$186,119 in its governmental activities on the Statement of Net Position.

Note 11. Budget Overexpenditure

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

Note 12. Operating Lease

On August 15, 2014 the District entered into a five year lease agreement with Diamler Truck Financial to lease two 2015 Thomas School Buses. This lease agreement requires annual payments of \$22,008.

Note 13. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Returning dropouts and dropout prevention	\$ 46,162
Beginning teacher mentoring and induction	494
Teacher salary supplement	2,417
Four-year-old preschool state aid	81,582
Professional development for model core curriculum	7,931
Successful progression for early readers	19,474
Teacher leadership grant	1,009
Total	<u>\$ 159,069</u>

Note 14. Reconciliation of Governmental Fund Balances to Net Position

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

	<u>Management Levy</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ 209,880	535,740
Internal Service Fund	-	43,340
Income Surtax	-	134,745
Termination benefits	(42,022)	-
Pension related deferred outflows	-	142,624
Net pension liability	-	(658,441)
Pension related deferred inflows	-	(270,087)
Net OPEB liability	-	(91,755)
Deficit unassigned student activities	-	(22,285)
Net position (Exhibit A)	<u>\$ 167,858</u>	<u>(186,119)</u>

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:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 2,215,957	\$ 35,014
Net pension liability at June 30, 2014	(944,482)	(23,423)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	97,015	2,406
Net position July 1, 2014, as restated	<u>\$ 1,368,490</u>	<u>\$ 13,997</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 1,734,980	39,487	1,774,467	1,794,943	1,794,943	(20,476)
State sources	2,016,839	767	2,017,606	1,785,036	1,785,036	232,570
Federal sources	111,311	58,751	170,062	148,000	148,000	22,062
Total revenues	<u>3,863,130</u>	<u>99,005</u>	<u>3,962,135</u>	<u>3,727,979</u>	<u>3,727,979</u>	<u>234,156</u>
Expenditures/expenses:						
Instruction	2,164,148	-	2,164,148	2,391,900	2,391,900	227,752
Support services	888,820	-	888,820	883,500	1,003,500	114,680
Non-instructional programs	-	114,925	114,925	117,000	117,000	2,075
Other expenditures	522,375	-	522,375	428,716	428,716	(93,659)
Total expenditures/expenses	<u>3,575,343</u>	<u>114,925</u>	<u>3,690,268</u>	<u>3,821,116</u>	<u>3,941,116</u>	<u>250,848</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	287,787	(15,920)	271,867	(93,137)	(213,137)	485,004
Other financing sources, net	-	2,682	2,682	-	-	2,682
Excess(Deficiency) of revenues and other financing sources over(under) expenditures and other financing sources	287,787	(13,238)	274,549	(93,137)	(213,137)	487,686
Balances beginning of year, as restated	<u>1,300,942</u>	<u>13,997</u>	<u>1,314,939</u>	<u>1,161,245</u>	<u>1,161,245</u>	<u>153,694</u>
Balances end of year	<u>\$ 1,588,729</u>	<u>759</u>	<u>1,589,488</u>	<u>1,068,108</u>	<u>948,108</u>	<u>641,380</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANDREW 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 Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated 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, the District adopted one budget amendment, increasing budgeted expenditures by \$120,000.

During the year ended June 30, 2015, expenditures in the other expenditures functional area exceeded the amended certified budgeted amounts.

ANDREW 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

	2015
District's proportion of the net pension liability	0.016673%
District's proportionate share of the net pension liability	\$ 674,770
District's covered-employee payroll	\$ 1,221,162
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	55.26%
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: 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.

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 109,049	99,421	95,858	95,582	105,621	103,801	103,274	99,189	88,013	85,597
Contributions in relation to the statutorily required contribution	(109,049)	(99,421)	(95,858)	(95,582)	(105,621)	(103,801)	(103,274)	(99,189)	(88,013)	(85,597)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 1,221,162	1,113,337	1,105,629	1,184,411	1,519,727	1,493,540	1,626,362	1,639,488	1,530,661	1,488,643
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.

ANDREW 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.

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.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	7/1/2009	\$ -	\$ 162,913	\$ 162,913	0.0%	\$ 1,607,960	10.1%
2011	7/1/2009	-	162,913	162,913	0.0	1,563,459	10.4
2012	7/1/2011	-	166,253	166,253	0.0	1,056,840	15.7
2013	7/1/2011	-	163,634	163,634	0.0	949,478	17.2
2014	7/1/2011	-	151,374	151,374	0.0	961,055	15.8
2015	7/1/2014	-	160,156	160,156	0.0	1,081,165	14.8

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANDREW COMMUNITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

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

	Special Revenue		
	Management Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 207,471	62,533	270,004
Receivables:			
Property tax:			
Delinquent	2,409	-	2,409
TOTAL ASSETS	\$ 209,880	62,533	272,413
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities	-	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	-	-
Fund balances:			
Restricted for:			
Management levy purposes	209,880	-	209,880
Student activities	-	84,818	84,818
Unassigned	-	(22,285)	(22,285)
Total fund balances	209,880	62,533	272,413
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 209,880	62,533	272,413

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
REVENUES:					
Local sources:					
Local tax	\$ 199,994	-	199,994	-	199,994
Other	15,588	36,815	52,403	-	52,403
TOTAL REVENUES	215,582	36,815	252,397	-	252,397
EXPENDITURES:					
Current:					
Instruction:					
Regular	21,011	-	21,011	-	21,011
Other	-	26,854	26,854	-	26,854
Support services:					
Operation and maintenance of plant	50,857	-	50,857	-	50,857
Long-term debt:					
Principal	-	-	-	13,635	13,635
Interest and fiscal charges	-	-	-	647	647
TOTAL EXPENDITURES	71,868	26,854	98,722	14,282	113,004
Excess(Deficiency) of revenues over(under) expenditures	143,714	9,961	153,675	(14,282)	139,393
Other financing sources:					
Transfer in	-	-	-	14,282	14,282
Change in fund balances	143,714	9,961	153,675	-	153,675
Fund balances beginning of year	66,166	52,572	118,738	-	118,738
Fund balances end of year	\$ 209,880	62,533	272,413	-	272,413

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANDREW COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 554,508	55,661	610,169
Receivables:			
Property tax:			
Delinquent	-	1,885	1,885
Succeeding year	-	160,797	160,797
Due from other governments	40,053	-	40,053
TOTAL ASSETS	\$ 594,561	218,343	812,904
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	30,600	30,600
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	160,797	160,797
Fund balances:			
Restricted for:			
School infrastructure	594,561	-	594,561
Physical plant and equipment	-	26,946	26,946
Total fund balances	594,561	26,946	621,507
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 594,561	218,343	812,904

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANDREW COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2015

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
REVENUES:			
Local sources:			
Local tax	\$ -	156,432	156,432
State sources	256,865	-	256,865
TOTAL REVENUES	256,865	156,432	413,297
EXPENDITURES:			
Current:			
Support services:			
Transportation	-	61,503	61,503
Capital outlay	217,184	173,064	390,248
TOTAL EXPENDITURES	217,184	234,567	451,751
Excess(Deficiency) of revenues over(under) expenditures	39,681	(78,135)	(38,454)
Other financing uses:			
Transfers out	(14,282)	-	(14,282)
Change in fund balances	25,399	(78,135)	(52,736)
Fund balances beginning of year	569,162	105,081	674,243
Fund balances end of year	\$ 594,561	26,946	621,507

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANDREW 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	Intra Fund Transfers	Balance End of Year
<u>Athletics</u>					
General Athletics	\$ 7,025	828	1,186	-	6,667
Girls Fundraiser	1,175	-	-	-	1,175
Boys Fundraising	(91)	-	-	-	(91)
Uniforms	90	-	-	-	90
Football	182	-	-	-	182
Boosters	24,551	10,391	7,490	(4,096)	23,356
Cross Country	(335)	-	-	-	(335)
Boys Basketball	(2,181)	-	-	-	(2,181)
Baseball	(2,591)	-	-	-	(2,591)
Boys Track	(137)	-	-	-	(137)
Girls Basketball	(713)	-	-	-	(713)
Volleyball	(2,097)	-	-	-	(2,097)
Golf	(430)	-	-	-	(430)
Softball	(9,113)	-	-	-	(9,113)
Girls Track	(1,002)	-	-	-	(1,002)
	<u>14,333</u>	<u>11,219</u>	<u>8,676</u>	<u>(4,096)</u>	<u>12,780</u>
<u>Music</u>					
General Music	3,867	576	-	-	4,443
Music Store	(1,930)	-	-	-	(1,930)
	<u>1,937</u>	<u>576</u>	<u>-</u>	<u>-</u>	<u>2,513</u>
<u>Clubs</u>					
Art Club	1,915	632	-	-	2,547
Yearbook	2,044	816	-	-	2,860
Concessions	1,589	-	-	-	1,589
Cheerleaders	(751)	-	-	-	(751)
Hawk Club	(342)	-	69	-	(411)
Student Council	21,859	9,812	9,293	-	22,378
Thespians	401	-	-	-	401
Foreign Language Travel	354	-	-	-	354
	<u>27,069</u>	<u>11,260</u>	<u>9,362</u>	<u>-</u>	<u>28,967</u>
<u>Graduating Classes</u>					
8th Grade Class	-	1,039	1,212	-	(173)
Class of 2010	10	-	-	-	10
Class of 2012	794	-	-	-	794
Class of 2014	515	-	-	-	515
	<u>1,319</u>	<u>1,039</u>	<u>1,212</u>	<u>-</u>	<u>1,146</u>
<u>Miscellaneous Accounts</u>					
After Prom	487	-	4	-	483
Courtesy Funds	220	-	-	4,096	4,316
General Activity	4,073	1,936	2,955	-	3,054
Media Center	(330)	-	-	-	(330)
After School Program	-	10,785	4,645	-	6,140
Elementary Store	3,464	-	-	-	3,464
	<u>7,914</u>	<u>12,721</u>	<u>7,604</u>	<u>4,096</u>	<u>17,127</u>
Total	<u>\$ 52,572</u>	<u>36,815</u>	<u>26,854</u>	<u>-</u>	<u>62,533</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ANDREW 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	\$ 1,352,520	1,349,238	1,477,078	1,401,063	1,359,466	1,273,686	1,283,580	1,262,113	1,233,121	1,150,990
Tuition	97,936	91,515	97,070	113,322	168,556	224,707	192,479	244,416	217,216	180,403
Other	284,524	103,675	104,895	98,432	140,070	142,758	168,849	189,702	252,106	205,904
State sources	2,016,839	1,954,430	1,667,627	1,564,195	1,603,462	1,413,679	1,711,917	1,761,428	1,653,670	1,488,919
Federal sources	111,311	104,961	94,888	69,920	199,542	279,971	127,568	100,404	104,795	100,566
Total	\$ 3,863,130	\$ 3,603,819	3,441,558	3,246,932	3,471,096	3,334,801	3,484,393	3,558,063	3,460,908	3,126,782
Expenditures:										
Current:										
Instruction:										
Regular	\$ 1,451,511	\$ 1,504,523	1,431,139	1,443,022	1,514,721	1,413,842	1,389,751	1,440,601	1,442,977	1,306,298
Special	542,710	631,712	617,419	460,705	466,998	470,935	512,417	564,583	432,742	435,917
Other	169,927	118,875	110,016	154,963	299,282	351,671	323,252	246,690	308,830	297,596
Support services:										
Student	59,445	63,513	61,958	54,527	52,054	26,377	62,423	61,352	56,213	53,293
Instructional	10,179	20,983	4,753	32,994	93,121	33,046	85,700	79,774	69,017	59,782
Administration	406,960	240,486	262,559	287,930	268,314	299,487	299,846	352,678	342,602	352,480
Operation and maintenance of plant	177,733	188,381	185,933	168,812	160,186	161,571	168,224	181,477	161,148	169,707
Transportation	234,503	313,748	216,857	285,793	224,862	222,280	262,324	208,781	264,822	234,984
Non-instructional programs	-	-	-	-	2,123	1,771	2,316	2,233	1,855	1,650
Capital outlay	390,248	175,223	269,129	110,704	73,813	206,948	104,699	319,672	103,170	158,218
Long-term debt:										
Principal	13,635	24,893	23,968	11,217	20,000	20,000	20,000	20,000	-	-
Interest and other charges	647	1,581	2,506	975	-	-	-	-	-	-
Other expenditures:										
AEA flow-through	117,845	116,016	111,779	110,959	125,158	124,457	117,250	115,944	109,236	98,400
Total	\$ 3,575,343	3,399,934	3,298,016	3,122,601	3,300,632	3,332,385	3,348,202	3,593,785	3,292,612	3,168,325

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
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**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of Education of Andrew Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Andrew 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 March 11, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Andrew Community School District's internal control over financial reporting to determine the auditing 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 Andrew Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Andrew 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, there can be no assurance all deficiencies, significant material weaknesses or deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency 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 combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Andrew Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part 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.

Andrew Community School District's Responses to Findings

Andrew Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Andrew 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 of 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 Andrew 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.

March 11, 2016
Newton, Iowa

ANDREW 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 the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - bank reconciliations, cash receipts and the disbursement function, handling petty cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Inventories - purchasing, handling, counting and maintaining inventory records.
- 4) Receipts - collecting, filling out deposit slip, depositing, recording, journalizing, posting and reconciling.
- 5) Disbursements - purchase order processing, check preparation, signing checks, mailing and recording, voucher preparation and reconciling disbursements to the check register.
- 6) Payroll - approval of and payment of payroll taxes, distributing payroll checks and posting payroll.
- 7) Wire transfers - processing and approving.
- 8) Financial reporting - preparing, reconciling and approving.
- 9) Computer systems - performing all general accounting functions and controlling all data input and output.
- 10) Journal entries - writing, posting and approval.

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

Response - The district will continue to work on segregation of duties, and try to implement procedures to strengthen internal controls even with a limited staff.

Conclusion - Response accepted.

OTHER MATTERS:

I-B-15 Deficit Lunch Account Balances - During our audit we noted that the Nutrition Fund is carrying several deficit student account balances.

Recommendation – The District should develop policies regarding the treatment of negative account balances aimed at discouraging accounts from becoming negative. The District may also wish to encourage alternatives to bring deficit accounts back to a positive balance, such as trying various collection techniques to collect the balances from the families. Another option would be to give these families a free/reduced lunch application to see if they qualify.

Response - The district will continue to monitor negative lunch accounts, and develop policy to limit the amounts of negative balances to keep them from becoming excessive.

Conclusion - Response accepted.

I-C-15 Board Policies - We noted during our audit some of the policies in the District’s board policy book appear to have not been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to review board policies in a timely manner.

Response - The district will review and update board policy in a timely manner.

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 amounts budgeted in the other expenditures functional area.

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

Response - The district will review published budgets each year, and amend accordingly if needed.

Conclusion - Response accepted.

II-B-15 Questionable Disbursements - No disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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 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 in the basic enrollment data certified to the Department of Education were noted.
- II-H-15 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-15 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-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, Service and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 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 reports (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the District's statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 569,162
Revenues:		
Sales tax revenues		256,865
		826,027
Expenditures/transfers out:		
School infrastructure construction	217,184	
Transfers to other funds:		
Debt service fund	14,282	231,466
	14,282	231,466
Ending balance		\$ 594,561

For the year ended June 30, 2015, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

- II-M-15 Financial Condition - At June 30, 2015, the Special Revenue: Student Activity Fund had 15 deficit accounts with a deficit unassigned fund balance of \$22,285. The District also had deficit unrestricted net position of \$11,485 in the School Nutrition Fund and deficit unrestricted net position of \$186,119 in its governmental activities on the Statement of Net Position. The deficit net positions are primarily due to the implementation of GASB Statements No. 68 and No. 71 during the year.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and No. 71 will affect the District's financials moving forward. The District should also review its activity fund and its deficit accounts and develop a plan to bring these deficit student activity accounts back a zero or positive balance.

Response - The district's administration will communicate these deficits to the board and work on solutions for the negative balances in the student activity fund.

Conclusion - Response accepted.

II-N-15 Student Activity Fund - During our audit issues arose about the properness of certain accounts and revenues/ expenses within the Student Activity Fund. In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support the extracurricular and co-curricular activities offered as part of the District's educational program. More specific examples of these instances of questioned accounts are as follows:

Book Fairs/Library Donations/Books For Literacy: We noted Scholastic Book Fairs, revenues received from the Booster Club to buy library books, and the District's books for literacy programs were being maintained in the Student Activity Fund. Purchasing books for instructional purposes or for library use would appear to be instructional by nature and more appropriately handled in the District's General Fund.

Recommendation - Iowa Administrative Code 281-98.60 states that the Student Activity Fund is not to be used as a clearing account for any other fund. The Book Fairs, Library Donations and Books for Literacy all appear to be instructional and would be more appropriately handled out of the District's General Fund.

Response - The revenues and expenses for these items will be accounted for in the general fund in the future.

Conclusion - Response accepted.

Questioned Account: We noted during our audit a After School Programs account which appears to be used for instructional purposes.

Recommendation - The After School Program does not appear to be related to the co-curricular or extracurricular activities of the District. The District should review this account to determine the proper fund to account for the activity.

Response - The after school program will be moved to the proper fund

Conclusion - Response accepted.