

AUDUBON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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## Audubon Community School District

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Mark Nissen	President	2015
Doug Olson	Vice President	2015
Christine Konkler	Board Member	2015
Sarah Asmus	Board Member	2017
Becky Jones	Board Member	2017
<b>School Officials</b>		
Brett Gibbs	Superintendent	2015
John Roberts	Board Secretary/Treasurer	2015
Natalie Lange	Business Manager	2015
Rick Engel	Attorney	2015

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

**INDEPENDENT AUDITOR'S REPORT**

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

**Members American Institute & Iowa Society of Certified Public Accountants**

### **Emphasis of Matter**

As discussed in Note 12 to the financial statements, Audubon Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No.27. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management’s Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District’s Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 46 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Audubon 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 is not presented herein) and expressed an unmodified opinion 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 January 19, 2016 on our consideration of Audubon Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Audubon Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

January 19, 2016  
Newton, Iowa

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

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Audubon 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 decreased from \$6,054,419 in fiscal year 2014 to \$5,740,644 in fiscal year 2015, and General Fund expenditures increased from \$5,760,189 in fiscal year 2014 to \$5,774,490 in fiscal year 2015. This resulted in decrease in the District's General Fund balance from \$1,356,151 at June 30, 2014 to \$1,322,305 at June 30, fiscal 2015, a decrease of 2.50% from the prior year.
- The decrease in General Fund revenues was attributable to decrease in local source revenues compared to the prior year. The increase in expenditures is largely attributable to increases in instructional expenditures incurred compared to the prior year.

### **USING THIS ANNUAL REPORT**

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

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

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

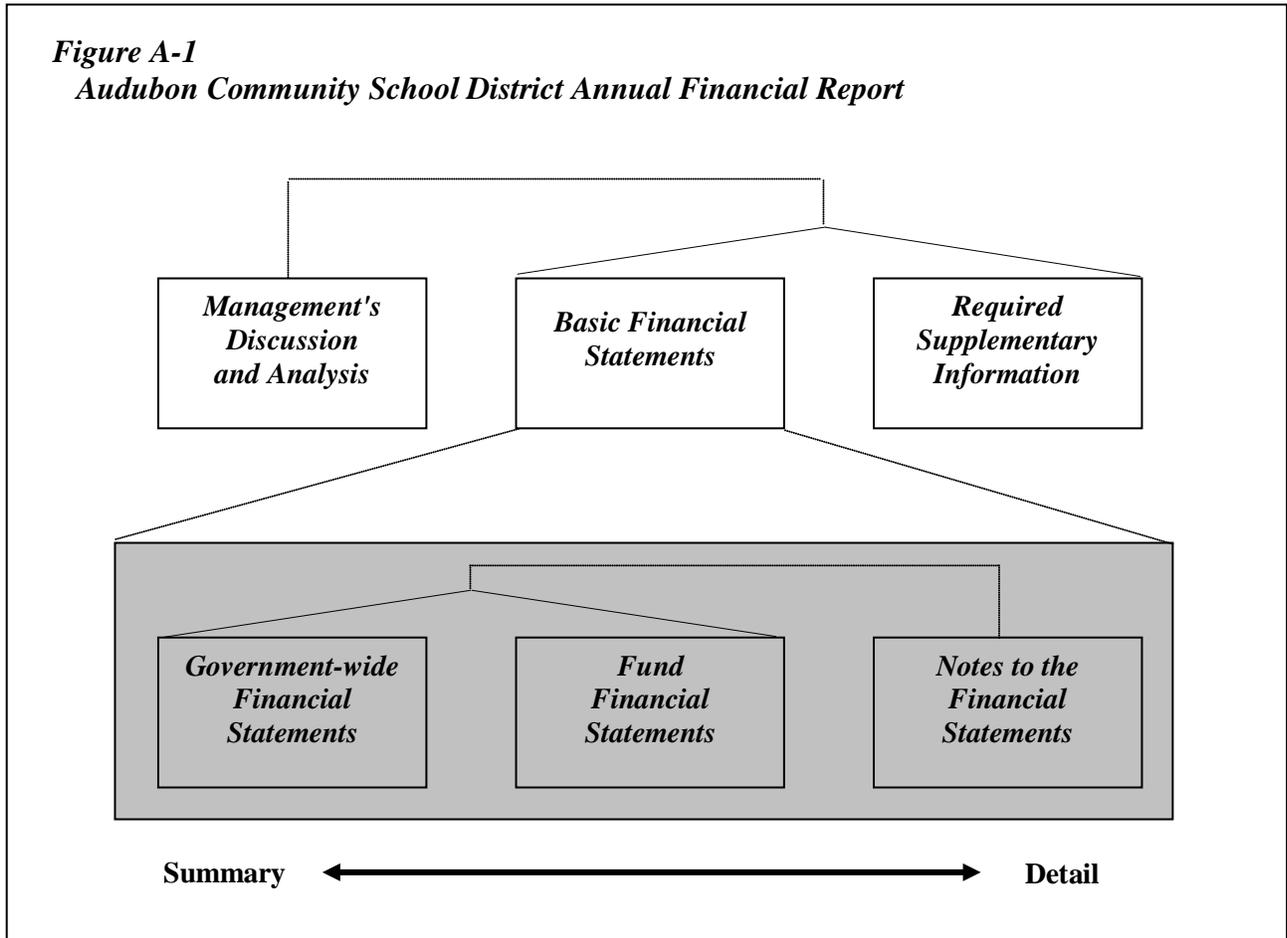
The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Audubon Community School District's operations in more detail than the government-wide statements by providing information about the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

Notes to the 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 funds.

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



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

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

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## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

The two government-wide financial statements report the District's net position and how they have 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 three kinds of funds:

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

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

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The

District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

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

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

- Private Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2014 ( Not restated)		June 30, 2014 ( Not restated)		June 30, 2014 ( Not restated)		2014-15
Current and other assets	\$ 7,128,469	10,681,137	75,032	92,574	7,203,501	10,773,711	-33.14%
Capital assets	8,044,719	7,452,137	43,418	29,682	8,088,137	7,481,819	8.10%
Total assets	15,173,188	18,133,274	118,450	122,256	15,291,638	18,255,530	-16.24%
Deferred outflows of resources	438,219	-	15,512	-	453,731	-	100.00%
Long-term liabilities	8,787,201	9,853,449	75,971	1,338	8,863,172	9,854,787	-10.06%
Other liabilities	1,114,526	718,045	9,110	5,411	1,123,636	723,456	55.32%
Total liabilities	9,901,727	10,571,494	85,081	6,749	9,986,808	10,578,243	-5.59%
Deferred inflows of resources	3,511,920	2,713,992	31,595	-	3,543,515	2,713,992	30.56%
Net position:							
Net investment in capital assets	2,498,392	2,465,858	43,418	29,682	2,541,810	2,495,540	0.01%
Restricted	1,136,121	1,196,456	-	-	1,136,121	1,196,456	-5.04%
Unrestricted	(1,436,753)	1,185,474	(26,132)	85,825	(1,462,885)	1,271,299	-215.07%
Total net position	\$ 2,197,760	4,847,788	17,286	115,507	2,215,046	4,963,295	-55.37%

The District's total net position decreased by 55.37%, or \$2,748,249 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, 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 subject to external restrictions, constitution provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$60,335 or 5.04% from the prior year. The decrease was primarily result of increased expenditures in the Property, Plant and Equipment Fund and a decrease in net position restricted for the physical plant and equipment and categorical funding.

Unrestricted net position - is 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 \$2,734,184, or 215.07%. The decrease in unrestricted net position is due to 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 \$2,780,055 and \$96,658, respectively, to retroactively report the net pension liability as of June 30, 2014 and deferred outflows of resources related to contributions made after June 30, 2015 but prior to July 1, July 1, 2015. Fiscal year 2014 and 2015 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

	Figure A-4 Changes of 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	\$ 706,760	726,470	199,803	222,267	906,563	948,737	-4.45%
Operating grants, contributions and restricted interest	542,518	610,641	178,948	156,131	721,466	766,772	-5.91%
Capital grants, contributions and restricted interest	10,081	15,650	-	-	10,081	15,650	-35.58%
General revenues:							
Property tax	2,729,040	2,771,286	-	-	2,729,040	2,771,286	-1.52%
Income surtax	285,069	329,205	-	-	285,069	329,205	-13.41%
Statewide sales, services and use tax	495,937	467,735	-	-	495,937	467,735	6.03%
Unrestricted state grants	2,489,419	2,516,520	-	-	2,489,419	2,516,520	-1.08%
Unrestricted interest revenue	741	5,744	25	20	766	5,764	-86.71%
Other	36,111	32,100	13,347	-	49,458	32,100	54.07%
Total revenues	7,295,676	7,475,351	392,123	378,418	7,687,799	7,853,769	-2.11%
Program expenses:							
Instructional	4,418,516	4,214,146	-	-	4,418,516	4,214,146	4.85%
Support services	2,058,054	2,106,669	6,822	6,569	2,064,876	2,113,238	-2.29%
Non-instructional programs	-	-	386,864	365,424	386,864	365,424	5.87%
Other expenditures	689,079	729,841	-	-	689,079	729,841	-5.59%
Total expenses	7,165,649	7,050,656	393,686	371,993	7,559,335	7,422,649	1.84%
Change in net position	130,027	424,695	(1,563)	6,425	128,464	431,120	-70.20%
Net position beginning of year, as restated	2,067,733	4,423,093	18,849	109,082	2,086,582	4,532,175	-53.96%
Net position end of year	\$ 2,197,760	4,847,788	17,286	115,507	2,215,046	4,963,295	-55.37%

In fiscal year 2015, property tax, unrestricted state grants, and charges for service account for 81.22% of the revenue from governmental activities while charges for service and operating grants, contributions, and restricted interest account for 96.59% of the revenue from business type activities.

The District's total revenues were \$7,687,799, of which \$7,295,676 was for governmental activities and \$392,123 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a decrease of 2.11% in revenues and a 1.84% increase in expenses. The increase in expenses was related to increases in the instructional and non-instructional programs.

### Governmental Activities

Revenues for governmental activities were \$7,295,676 and expenses were \$7,165,649 for the year ending 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 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	\$ 4,418,516	4,214,146	4.85%	3,406,057	3,116,984	9.27%
Support services	2,058,054	2,106,669	-2.31%	2,019,305	2,057,261	-1.84%
Other expenses	689,079	729,841	-5.59%	480,928	523,650	-8.16%
Totals	\$ 7,165,649	7,050,656	1.63%	5,906,290	5,697,895	3.66%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$706,760.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$552,599.
- The net cost of governmental activities was financed with \$2,729,040 in property tax, \$285,069 in income surtax, \$495,937 in statewide sales, services and use tax, \$2,489,419 in unrestricted state grants, \$741 in interest income, and \$36,111 in other general revenue.

### Business Type Activities

Revenues of the District's business type activities were \$392,123 and expenses were \$393,686 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, investment income and other general revenues.

### INDIVIDUAL FUND ANALYSIS

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

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The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,199,210, below last year's ending fund balances of \$7,055,273. The primary reason for the decrease in combined fund balances is the calling of District's general obligation bonded indebtedness during the year.

### **Governmental Fund Highlights**

- The General Fund's deteriorating financial position from \$1,356,151 to \$1,322,305 is the product of many factors. General fund revenues decreased from \$6,054,419 in fiscal year 2014 to \$5,740,644 in fiscal year 2015, while General fund expenses increased from \$5,760,189 in fiscal year 2014 to \$5,774,490 in fiscal year 2015. The fund balance of the General Fund decreased by \$33,846 during the year.
- The Capital Projects Fund balance decreased from a balance of \$2,254,549 at June, 30, 2014 to \$1,397,494 at June 30, 2015 due mainly to the increase in capital outlay expenditures incurred compared to the prior year.
- The Debt Service Fund balance decreased from a balance of \$3,257,073 at June 30, 2014 to \$342,782 at June 30, 2015. The main factor in the decrease in fund balance for the Debt Service Fund is due to the District's calling approximately \$3,000,000 of the District's general obligation bond indebtedness during the year.

### **Proprietary Fund Highlights**

The School Nutrition Fund net position decreased from a restated net position of \$18,849 at July 1, 2014 to \$17,286 at June 30, 2015, representing a decrease of 8.29%.

### **BUDGETARY HIGHLIGHTS**

The District's revenues were \$143,919 more than budgeted revenues, a variance of 1.91%. The most significant variance resulted from the District receiving more in state source revenues than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction support services, non-instructional programs, and other expenditures functional areas as well as in total.

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

#### **Capital Assets**

At June 30, 2015, the District had invested \$8,088,137, 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 represents a net increase of 8.10% for last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$363,437.

The original cost of the District's capital assets was \$18,660,760. Governmental funds account for \$18,438,646 with the remainder of \$222,114 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress. The District reported construction in progress of \$472,548 at June 30, 2015, as compared to \$237,425 at June 30, 2014.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 3,200	3,200	-	-	3,200	3,200	0.00%
Construction in progress	472,548	237,425	-	-	472,548	237,425	99.03%
Buildings	6,331,590	6,189,741	-	-	6,331,590	6,189,741	2.29%
Land improvements	554,408	561,119	-	-	554,408	561,119	-1.20%
Machinery and equipment	682,973	460,652	43,418	29,682	726,391	490,334	48.14%
Total	\$ 8,044,719	7,452,137	43,418	29,682	8,088,137	7,481,819	8.10%

### Long-Term Debt

At June 30, 2015, the District had \$8,863,172 in general obligation bonds and other long-term debt outstanding. This represents a decrease of 31.83%. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding general obligation bonds of \$3,130,000 at June 30, 2015.

The District had outstanding revenue bonds of \$3,110,000 at June 30, 2015.

The District had an outstanding bus lease of \$204,264 at June 30, 2015.

The District had total outstanding compensated absences payable from the General Fund of \$6,752 at June 30, 2015.

The District had a net OPEB liability of \$214,236 at June 30, 2015. \$212,115 of this total is included in the District's governmental activities while \$2,121 is included in the business type activity.

The District had a net pension liability of \$2,197,920 at June 30, 2015. \$2,124,070 of this total is attributable to the District's governmental activities while \$73,850 is attributable to the District's business type activity.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014		2014		2014		2014-15
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	
General obligation bonds	3,130,000	6,400,000	-	-	3,130,000	6,400,000	-51.09%
Revenue bonds	3,110,000	3,260,000	-	-	3,110,000	3,260,000	-4.60%
Bus Lease	204,264	-	-	-	204,264	-	100.00%
Apple Lease	-	54,658	-	-	-	54,658	-100.00%
Compensated Absences	6,752	4,998	-	-	6,752	4,998	35.09%
Net OPEB liability	212,115	133,793	2,121	1,338	214,236	135,131	58.54%
Net Pension liability	2,124,070	-	73,850	-	2,197,920	-	100.00%
Total	\$ 8,787,201	9,853,449	75,971	1,338	8,863,172	9,854,787	-10.06%

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

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

- The district continues to have declining enrollment and projects a declining enrollment trend for the next several years. We continue to look into the possibility of additional sharing of staff and possible whole grade sharing in the future.

### 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 Natalie Lange, Business Manager, Audubon Community School District, 800 Third Avenue, Audubon, Iowa, 50025.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 4,077,577	64,996	4,142,573
Receivables:			
Property tax:			
Delinquent	27,029	-	27,029
Succeeding year	2,603,184	-	2,603,184
Income surtax	261,416	-	261,416
Accounts	567	5,506	6,073
Due from other governments	158,696	-	158,696
Inventories	-	4,530	4,530
Capital assets, net of accumulated depreciation	8,044,719	43,418	8,088,137
<b>TOTAL ASSETS</b>	<b>15,173,188</b>	<b>118,450</b>	<b>15,291,638</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	438,219	15,512	453,731
<b>LIABILITIES</b>			
Accounts payable	504,933	196	505,129
Salaries and benefits payable	559,726	4,090	563,816
Interest payable	49,867	-	49,867
Unearned revenue	-	4,824	4,824
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	300,000	-	300,000
Revenue bonds payable	170,000	-	170,000
Bus lease payable	100,896	-	100,896
Compensated absences payable	6,752	-	6,752
Portion due after one year:			
General obligation bonds payable	2,830,000	-	2,830,000
Revenue bonds payable	2,940,000	-	2,940,000
Net Pension liability	2,124,070	73,850	2,197,920
Bus lease payable	103,368	-	103,368
Net OPEB liability	212,115	2,121	214,236
<b>TOTAL LIABILITIES</b>	<b>9,901,727</b>	<b>85,081</b>	<b>9,986,808</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	2,603,184	-	2,603,184
Pension related deferred inflows	908,736	31,595	940,331
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>3,511,920</b>	<b>31,595</b>	<b>3,543,515</b>
<b>NET POSITION</b>			
Net investment in capital assets	2,498,392	43,418	2,541,810
Restricted for:			
Categorical funding	207,020	-	207,020
Debt service	292,915	-	292,915
Management levy purposes	21,334	-	21,334
Student activities	115,295	-	115,295
School infrastructure	496,942	-	496,942
Physical plant and equipment	2,615	-	2,615
Unrestricted	(1,436,753)	(26,132)	(1,462,885)
<b>TOTAL NET POSITION</b>	<b>\$ 2,197,760</b>	<b>17,286</b>	<b>2,215,046</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 2,897,445	328,311	91,754	-	(2,477,380)	-	(2,477,380)
Special	570,423	39,198	25,264	-	(505,961)	-	(505,961)
Other	950,648	339,251	188,681	-	(422,716)	-	(422,716)
	4,418,516	706,760	305,699	-	(3,406,057)	-	(3,406,057)
Support services:							
Student	202,759	-	-	-	(202,759)	-	(202,759)
Instructional staff	282,598	-	3,739	-	(278,859)	-	(278,859)
Administration	676,632	-	-	-	(676,632)	-	(676,632)
Operation and maintenance of plant	587,617	-	-	10,081	(577,536)	-	(577,536)
Transportation	308,448	-	24,929	-	(283,519)	-	(283,519)
	2,058,054	-	28,668	10,081	(2,019,305)	-	(2,019,305)
Long-term debt interest	259,390	-	-	-	(259,390)	-	(259,390)
Other expenses:							
AEA flowthrough	208,151	-	208,151	-	-	-	-
Depreciation(unallocated)*	221,538	-	-	-	(221,538)	-	(221,538)
	429,689	-	208,151	-	(221,538)	-	(221,538)
Total governmental activities	7,165,649	706,760	542,518	10,081	(5,906,290)	-	(5,906,290)
Business type activities:							
Support services:							
Administration	1,266	-	-	-	-	(1,266)	(1,266)
Operations and maintenance plant	5,556	-	-	-	-	(5,556)	(5,556)
Non-instructional programs:							
Food service operations	386,864	199,803	178,948	-	-	(8,113)	(8,113)
Total business type activities	393,686	199,803	178,948	-	-	(14,935)	(14,935)
Total	\$ 7,559,335	906,563	721,466	10,081	(5,906,290)	(14,935)	(5,921,225)
<b>General Revenues:</b>							
Property tax levied for:							
General purposes				\$ 2,074,068	-		2,074,068
Capital outlay				223,072	-		223,072
Debt service				431,900	-		431,900
Income surtax				285,069	-		285,069
Statewide sales, services and use tax				495,937	-		495,937
Unrestricted state grants				2,489,419	-		2,489,419
Unrestricted investment earnings				741	25		766
Other				36,111	13,347		49,458
Total general revenues				6,036,317	13,372		6,049,689
Change in net position				130,027	(1,563)		128,464
Net position beginning of year, as restated				2,067,733	18,849		2,086,582
Net position end of year				\$ 2,197,760	17,286		2,215,046

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 1,853,365	1,745,593	338,550	140,069	4,077,577
Receivables:					
Property tax:					
Delinquent	19,863	2,184	4,232	750	27,029
Succeeding year	1,926,012	226,673	300,499	150,000	2,603,184
Income surtax	261,416	-	-	-	261,416
Accounts	567	-	-	-	567
Due from other governments	81,427	77,269	-	-	158,696
<b>TOTAL ASSETS</b>	<b>\$ 4,142,650</b>	<b>2,051,719</b>	<b>643,281</b>	<b>290,819</b>	<b>7,128,469</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 73,191	427,552	-	4,190	504,933
Salaries and benefits payable	559,726	-	-	-	559,726
Total liabilities	632,917	427,552	-	4,190	1,064,659
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,926,012	226,673	300,499	150,000	2,603,184
Income surtax	261,416	-	-	-	261,416
Total deferred inflows of resources	2,187,428	226,673	300,499	150,000	2,864,600
Fund balances:					
Restricted for:					
Categorical funding	207,020	-	-	-	207,020
Debt service	-	-	342,782	-	342,782
Management levy purposes	-	-	-	21,334	21,334
Student activities	-	-	-	115,295	115,295
School infrastructure	-	1,394,879	-	-	1,394,879
Physical plant and equipment	-	2,615	-	-	2,615
Unassigned	1,115,285	-	-	-	1,115,285
Total fund balances	1,322,305	1,397,494	342,782	136,629	3,199,210
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 4,142,650</b>	<b>2,051,719</b>	<b>643,281</b>	<b>290,819</b>	<b>7,128,469</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds(page 20)</b>	\$	3,199,210
 <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.		8,044,719
Accounts receivable income surtax, are not yet available to finance expenditures of the current period and, therefore, are recognized as deferred inflows of resources in the governmental funds.		261,416
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(49,867)
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	\$ 438,219	
Deferred inflows of resources	<u>(908,736)</u>	\$ (470,517)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, bus lease payable, net pension liability, compensated absences 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>(8,787,201)</u>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u>2,197,760</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 2,275,002	223,072	431,900	75,416	3,005,390
Tuition	346,726	-	-	-	346,726
Other	98,903	14,508	-	306,057	419,468
State sources	2,826,874	496,034	187	33	3,323,128
Federal sources	192,245	-	-	-	192,245
<b>TOTAL REVENUES</b>	<b>5,739,750</b>	<b>733,614</b>	<b>432,087</b>	<b>381,506</b>	<b>7,286,957</b>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	2,666,889	-	-	24,000	2,690,889
Special	589,677	-	-	-	589,677
Other	621,459	-	-	307,500	928,959
	<b>3,878,025</b>	<b>-</b>	<b>-</b>	<b>331,500</b>	<b>4,209,525</b>
Support services:					
Student	194,943	-	-	-	194,943
Instructional staff	198,683	48,698	-	-	247,381
Administration	590,752	995	-	47,299	639,046
Operation and maintenance of plant	481,858	-	-	53,578	535,436
Transportation	222,078	309,520	-	-	531,598
	<b>1,688,314</b>	<b>359,213</b>	<b>-</b>	<b>100,877</b>	<b>2,148,404</b>
Capital outlay	-	1,039,047	-	-	1,039,047
Long-term debt:					
Principal	-	-	3,579,914	-	3,579,914
Interest and fiscal charges	-	-	268,393	-	268,393
	<b>-</b>	<b>-</b>	<b>3,848,307</b>	<b>-</b>	<b>3,848,307</b>
Other expenditures:					
AEA flowthrough	208,151	-	-	-	208,151
<b>TOTAL EXPENDITURES</b>	<b>5,774,490</b>	<b>1,398,260</b>	<b>3,848,307</b>	<b>432,377</b>	<b>11,453,434</b>
Excess(Deficiency) of revenues over(under) expenditures	(34,740)	(664,646)	(3,416,220)	(50,871)	(4,166,477)
<b>OTHER FINANCING SOURCES(USES):</b>					
Transfer in	-	-	501,929	-	501,929
Transfer out	-	(501,929)	-	-	(501,929)
Proceeds from bus lease	-	309,520	-	-	309,520
Sale of equipment	894	-	-	-	894
<b>TOTAL OTHER FINANCING SOURCES(USES)</b>	<b>894</b>	<b>(192,409)</b>	<b>501,929</b>	<b>-</b>	<b>310,414</b>
Change in fund balances	(33,846)	(857,055)	(2,914,291)	(50,871)	(3,856,063)
Fund balances beginning of year	1,356,151	2,254,549	3,257,073	187,500	7,055,273
Fund balances end of year	\$ 1,322,305	1,397,494	342,782	136,629	3,199,210

SEE NOTES TO FINANCIAL STATEMENTS.

AUDUBON 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) \$ (3,856,063)

*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 reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense, capital outlay expenditures and loss on asset disposal in the current year are as follows:

Expenditures for capital assets	\$ 949,309	
Depreciation expense	(355,372)	
Loss on asset disposal	(1,355)	592,582

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

Issued	(309,520)	
Repaid	3,579,914	3,270,394

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it was due. 9,003

Income surtax accounts receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 8,719

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflows of resources in the Statement of Net Position 321,395

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.

Compensated absences	(1,754)	
Pension expense	(135,927)	
Other postemployment benefits	(78,322)	(216,003)

**Change in net position of governmental activities**(page 19) \$ 130,027

SEE NOTES TO FINANCIAL STATEMENTS.

AUDUBON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2015

	School Nutrition
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 64,996
Accounts receivable	5,506
Inventories	4,530
<b>Total current assets</b>	<b>75,032</b>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	43,418
<b>TOTAL ASSETS</b>	<b>118,450</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related deferred outflows	15,512
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	196
Salaries and benefits payable	4,090
Unearned revenue	4,824
<b>Total current liabilities</b>	<b>9,110</b>
Noncurrent liabilities:	
Net Pension liability	73,850
Net OPEB liability	2,121
<b>Total noncurrent liabilities</b>	<b>75,971</b>
<b>TOTAL LIABILITIES</b>	<b>85,081</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related deferred inflows	31,595
 <b>NET POSITION</b>	
Net investment in capital assets	43,418
Unrestricted	(26,132)
<b>TOTAL NET POSITION</b>	<b>\$ 17,286</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 199,803
Miscellaneous	13,347
Total operating revenues	213,150
Operating expenses:	
Support services:	
Administration:	
Services	1,266
Operation and maintenance of plant:	
Services	172
Supplies	5,384
Total support services	6,822
Non-instructional programs:	
Food service operations:	
Salaries	129,821
Benefits	21,594
Supplies	227,108
Depreciation	8,065
	386,588
Total operating expenses	393,410
Operating loss	(180,260)
Non-operating revenues (expenses):	
Loss on asset disposal	(276)
State sources	2,987
Federal sources	175,961
Interest income	25
Total non-operating revenues (expenses)	178,697
Change in net position	(1,563)
Net position beginning of year, as restated	18,849
Net position end of year	\$ 17,286

SEE NOTES TO FINANCIAL STATEMENTS.

AUDUBON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2015

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 197,653
Cash received from miscellaneous sources	13,347
Cash payments to employees for services	(157,210)
Cash payments to suppliers for goods or services	(207,166)
Net cash used in operating activities	(153,376)
Cash flows from non-capital financing activities:	
State grants received	2,987
Federal grants received	150,274
Net cash provided by non-capital financing activities	153,261
Cash flows from investing activities:	
Interest on investments	25
Cash flows from capital and related financing activities:	
Purchase of capital assets	(22,077)
Net decrease in cash and cash equivalents	(22,167)
Cash and cash equivalents at beginning of year	87,163
Cash and cash equivalents at end of year	\$ 64,996
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (180,260)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	25,687
Depreciation	8,065
Decrease in inventories	881
Increase in accounts receivable	(5,506)
Increase in accounts payable	196
Increase in salaries and benefits payable	147
Decrease in net pension liability	(33,689)
Increase in deferred outflows of resources	(4,631)
Increase in deferred inflows of resources	31,595
Increase in unearned revenue	3,356
Increase in other postemployment benefits	783
Net cash used in operating activities	\$ (153,376)

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2015, the District received \$25,687 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

AUDUBON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2015

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
<b>ASSETS</b>	
Cash and pooled investments	\$ 167,715
Interest receivable	362
<b>TOTAL ASSETS</b>	<u>168,077</u>
 <b>LIABILITIES</b>	
Scholarships payable	<u>2,000</u>
 <b>NET POSITION</b>	
Held in trust for scholarships	<u>\$ 166,077</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$ 1,055
Contributions	10,948
Total additions	<u>12,003</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>24,016</u>
Increase in net position	(12,013)
Net position beginning of year	<u>178,090</u>
Net position end of year	<u><u>\$ 166,077</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

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

The Audubon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Audubon, Iowa, and the predominate agricultural territory in Audubon and Guthrie Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

**A. Reporting Entity**

For financial reporting purposes, Audubon 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 Audubon 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 Audubon and Guthrie Counties 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 nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

*Restricted net position* results when constraints placed on net position use is 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 that does not meet the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following nonmajor proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

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

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

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

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

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

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be

susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise 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 nonoperating revenues and expenses.

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

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

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	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 annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded

when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current 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 consists of property tax receivables and other receivables not collected within sixty days after year end.

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

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

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 other spendable 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 in the instructional support services, non-instructional programs and other expenditures functions exceeded the amounts budgeted as well as in total.

### **Note 2. Cash and Pooled Investments**

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

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

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$2,925,957 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor’s Financial Services.

**Note 3. Interfund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Physical Plant and Equipment Levy	\$ 206,796
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	295,133
Total		\$ 501,929

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payment on the Apple computer lease and revenue bonded indebtedness.

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was needed for principal and interest payment for the bus lease.

#### **Note 4. 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
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,200	-	-	3,200
Construction in progress	237,425	235,123	-	472,548
Total capital assets not being depreciated	<u>240,625</u>	<u>235,123</u>	<u>-</u>	<u>475,748</u>
Capital assets being depreciated:				
Buildings	13,996,058	330,616	-	14,326,674
Land improvements	1,369,104	26,060	-	1,395,164
Machinery and equipment	2,119,943	357,510	236,393	2,241,060
Total capital assets being depreciated	<u>17,485,105</u>	<u>714,186</u>	<u>236,393</u>	<u>17,962,898</u>
Less accumulated depreciation for:				
Buildings	7,806,317	188,767	-	7,995,084
Land improvements	807,985	32,771	-	840,756
Machinery and equipment	1,659,291	133,834	235,038	1,558,087
Total accumulated depreciation	<u>10,273,593</u>	<u>355,372</u>	<u>235,038</u>	<u>10,393,927</u>
Total capital assets being depreciated, net	<u>7,211,512</u>	<u>358,814</u>	<u>1,355</u>	<u>7,568,971</u>
Governmental activities capital assets, net	<u>\$ 7,452,137</u>	<u>593,937</u>	<u>1,355</u>	<u>8,044,719</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 200,701	22,077	664	222,114
Less accumulated depreciation	171,019	8,065	388	178,696
Business type activities capital assets, net	<u>\$ 29,682</u>	<u>14,012</u>	<u>276</u>	<u>43,418</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 3,841
Other		9,619
Support services:		
Instructional staff		33,657
Operation and maintenance of plant		13,437
Transportation		73,280
		<u>133,834</u>
Unallocated depreciation		221,538
Total governmental activities depreciation expense		<u>\$ 355,372</u>
Business type activities:		
Food service operations		<u>\$ 8,065</u>

**Note 5. Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year, as restated	Additions	Deletions	Balance End of Year	Due Within One Year
<b><u>Governmental activities:</u></b>					
General obligation bonds	\$ 6,400,000	-	3,270,000	3,130,000	300,000
Revenue bonds	3,260,000	-	150,000	3,110,000	170,000
Computer lease	54,658	-	54,658	-	-
Bus Lease	-	309,520	105,256	204,264	100,896
Compensated absences	4,998	6,752	4,998	6,752	6,752
Net Pension liability	3,093,018	-	968,948	2,124,070	-
Net OPEB liability	133,793	78,322	-	212,115	-
Total	<u>\$ 12,946,467</u>	<u>394,594</u>	<u>4,553,860</u>	<u>8,787,201</u>	<u>577,648</u>
<b><u>Business type activities:</u></b>					
Net Pension liability	\$ 107,539		33,689	73,850	-
Net OPEB Liability	1,338	783	-	2,121	-
Total	<u>\$ 108,877</u>	<u>783</u>	<u>33,689</u>	<u>75,971</u>	<u>-</u>

**General Obligation Bonds Payable**

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

Year Ending June 30,	Bond issue dated December 1, 2013				
	Interest Rates		Principal	Interest	Total
2016	2.00	% \$	300,000	56,970	356,970
2017	2.00		300,000	50,970	350,970
2018	2.00		300,000	44,970	344,970
2019	2.00		305,000	38,970	343,970
2020	1.30		315,000	32,870	347,870
2021-2025	1.50-2.00		1,610,000	91,175	1,723,515
Total			<u>\$ 3,130,000</u>	<u>315,925</u>	<u>3,468,265</u>

**Revenue Bond Payable**

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue dated July 29, 2013				
	Interest Rates		Principal	Interest	Total
2016	2.62	% \$	170,000	79,255	249,255
2017	2.62		175,000	74,735	249,735
2018	2.62		180,000	70,085	250,085
2019	2.62		185,000	65,304	250,304
2020	2.62		190,000	60,391	250,391
2021-2025	2.62		1,030,000	223,617	1,253,617
2026-2030	2.62		1,180,000	78,862	1,258,862
Total			<u>\$ 3,110,000</u>	<u>652,249</u>	<u>3,762,249</u>

The District has pledged future statewide sales, services and use tax revenue to repay the \$3,260,000 of bonds issued in July 29, 2013. The bonds were issued for the purpose of financing a portion of the costs of improvements at the elementary site. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require 50% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$3,762,249. For the current year, \$83,447 of interest and \$150,000 of principal was paid on bonds and total statewide sales, services and use tax revenue were \$495,937.

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

- a) There shall not be a reserve fund in association with the issuance of these bonds.
- b) The District will make monthly transfers from the Capital Projects: Statewide Sales, Services and Use Tax Fund to a revenue account held by the bond paying agent in the District's name.
- c) When semi-annual payments are due on the bonds, the revenue account will transfer the required amount to a sinking fund where the bond payments will be made. Any Monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

**Bus Lease Payable**

Details of the District's June 30, 2015 bus lease indebtedness are as follows:

Year Ending June 30,	Bus lease dated July 15, 2014			
	Interest Rates	Principal	Interest	Total
2016	2.45 %	\$ 100,896	5,005	105,901
2017	2.45	103,368	2,531	105,899
Total		\$ 204,264	7,536	211,800

**Termination Benefits**

The District offered a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. During the year ended June 30, 2015, the District paid \$24,000 of termination benefit payments.

**Note 6. Pension Plan**

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

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

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

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

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

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

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

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$332,845.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred

Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$2,197,920 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's collective proportion was 0.054309 percent, which was a decrease of 0.002218 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2015, the District recognized pension expense of \$33,652. 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	\$ 23,887	\$ -
Changes of assumptions	96,999	-
Net difference between projected and actual earnings on pension plan investments	-	838,223
Changes in proportion and differences between District contributions and proportionate share of contributions	-	102,108
District contributions subsequent to the measurement date	332,845	-
<b>Total</b>	<b>\$ 453,731</b>	<b>\$ 940,331</b>

\$332,845 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	\$ (205,168)
2017	(205,168)
2018	(205,168)
2019	(205,168)
2020	1,228
	<u>\$ (819,444)</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	2	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentagepoint higher (8.5 percent) than the current rate.

	<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	\$ 4,152,908	\$ 2,197,920	\$ 547,708

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$39,275 for legally required employer contributions and \$26,169 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

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

Plan Description - The District operates a single-employer health benefit plan which provides medical benefits for employees, retirees and their spouses. There are 47 active and 7 members in the plan. Retired participants must be age 55 or older at age of retirement.

The medical benefits are provided through a fully-insured plan with Principal. Retirees under age 65 pay the same premium for the medical benefit 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 any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$ 91,094
Interest on net OPEB obligation	3,378
Adjustment to annual required contribution	(10,545)
Annual OPEB cost	<u>83,927</u>
Contributions made	<u>(4,822)</u>
Increase in net OPEB obligation	79,105
Net OPEB obligation beginning of year	<u>135,131</u>
Net OPEB obligation end of year	<u><u>\$ 214,236</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.

For the year ended June 30, 2015, the District contributed \$4,822 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	35,945	34.67%	63,014
2014	104,069	30.70%	135,131
2015	83,927	5.75%	214,236

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$552,440 with

no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$552,440. The covered payroll (annual payroll of active employees covered by the plan) was \$2,171,619 and the ratio of the UAAL to covered payroll was 25.44%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the Entry Age Actuarial Cost Method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual health cost trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement and termination probabilities were developed based upon sample rates varying by age and employee type.

Projected claim costs of the medical plan are \$673 per month for retirees less than age 65. 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 in July 1999 for the purpose of managing and funding employee benefits. The association provides coverage and protection in the following categories: medical and dental.

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 \$15,242.

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.

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

#### **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 \$208,151 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. Construction Commitment**

As of June 30, 2015, architectural and miscellaneous costs of \$472,548 had been incurred for improvements at the elementary school site. Once the project is complete the costs will be capitalized in the District’s capital asset listing.

**Note 11. Categorical Funding**

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

Program	Amount
LEP Weighting	\$ 6,373
Home School Assistance Program	708
Gifted and Talented Programs	97,301
Beginning Teacher Mentoring and Induction	805
Dropout and Dropout Prevention	36,019
Teacher Salary Supplement	3,293
Iowa early intervention block Grant	85
Successful Progression for Early Retirement	27,678
Professional Development for Model Core Curriculum	26,375
Professional Development	8,383
Total	<u>\$ 207,020</u>

**Note 12. 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	\$ 4,847,788	\$ 115,507
Net pension liability at June 30, 2014	(3,093,018)	(107,539)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	312,963	10,881
Net position July 1, 2014, as restated	<u>\$ 2,067,733</u>	<u>\$ 18,849</u>

**Note 13. Reconciliation of Governmental Fund Balances to Net Position**

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	<u>Net Investments</u>	<u>Debt</u>	<u>School</u>	<u>Unassigned/</u>
	<u>In Capital Assets</u>	<u>Service</u>	<u>Infrastructure</u>	<u>Unrestricted</u>
Fund balance (Exhibit C)	\$ -	342,782	1,394,879	1,115,285
Invested in capital assets, net of accumulated depreciation	8,044,719	-	-	-
Revenue bond capitalized indebtedness	(2,212,063)	-	-	-
General obligation bond capitalized indebtedness	(3,130,000)	-	-	-
Accrued interest payable	-	(49,867)	-	-
Bus Lease capitalized indebtedness	(204,264)	-	-	-
Unspent revenue bond proceeds	-	-	(897,937)	-
Income surtax	-	-	-	261,416
Compensated absences	-	-	-	(6,752)
Net Pension Liability	-	-	-	(2,124,070)
Pension related deferred outflows	-	-	-	438,219
Pension related deferred inflows	-	-	-	(908,736)
Net OPEB liability	-	-	-	(212,115)
Net position (Exhibit A)	<u>\$ 2,498,392</u>	<u>292,915</u>	<u>496,942</u>	<u>(1,436,753)</u>

**Note 14. Budget Overexpenditures**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2015, expenditures in the instruction, support services, non-instructional programs and other expenditures functional areas exceeded amounts budgeted, as well as in total.

**Note 15. Deficit Balances**

The Enterprise School nutrition Fund had a deficit unrestricted net position of \$26,132 at June 30, 2015. The District's governmental activities had a deficit unrestricted net position of \$1,436,753 at June 30, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
<b>Revenues:</b>						
Local sources	\$ 3,771,584	213,175	3,984,759	4,252,580	4,252,580	(267,821)
State sources	3,323,128	2,987	3,326,115	2,936,581	2,936,581	389,534
Federal sources	192,245	175,961	368,206	346,000	346,000	22,206
Total revenues	<u>7,286,957</u>	<u>392,123</u>	<u>7,679,080</u>	<u>7,535,161</u>	<u>7,535,161</u>	<u>143,919</u>
<b>Expenditures/Expenses:</b>						
Instruction	4,209,525	-	4,209,525	4,171,870	4,171,870	(37,655)
Support services	2,148,404	6,822	2,155,226	1,771,451	1,771,451	(383,775)
Non-instructional programs	-	386,864	386,864	347,900	347,900	(38,964)
Other expenditures	5,095,505	-	5,095,505	4,693,750	4,693,750	(401,755)
Total expenditures/expenses	<u>11,453,434</u>	<u>393,686</u>	<u>11,847,120</u>	<u>10,984,971</u>	<u>10,984,971</u>	<u>(862,149)</u>
(Deficiency) of revenues under expenditures/expenses	(4,166,477)	(1,563)	(4,168,040)	(3,449,810)	(3,449,810)	(718,230)
Other financing sources, net	310,414	-	310,414	-	-	310,414
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	(3,856,063)	(1,563)	(3,857,626)	(3,449,810)	(3,449,810)	(407,816)
Balances beginning of year, as restated	<u>7,055,273</u>	<u>18,849</u>	<u>7,074,122</u>	<u>3,449,810</u>	<u>3,449,810</u>	<u>3,624,312</u>
Balances end of year	<u>\$ 3,199,210</u>	<u>17,286</u>	<u>3,216,496</u>	<u>-</u>	<u>-</u>	<u>3,216,496</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AUDUBON 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 or fund type. 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 District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2015, expenditures in the instruction, support services, non-instructional programs and other expenditures functions exceeded the amounts budgeted and in total.

AUDUBON COMMUNITY SCHOOL DISTRICT

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

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST FISCAL YEAR\*

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>
District's proportion of the net pension liability	5.430900%
District's proportionate share of the net pension liability	\$ 2,197,920
District's covered-employee payroll	\$ 3,727,260
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.97%
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, 2015

See accompanying independent auditor's report.

**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.

AUDUBON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 LAST 10 FISCAL YEARS  
 (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 332,845	323,846	317,033	297,183	247,284	237,748	233,612	209,204	196,096	190,448
Contributions in relation to the statutorily required contribution	(332,845)	(323,846)	(317,033)	(297,183)	(247,284)	(237,748)	(233,612)	(209,204)	(196,096)	(190,448)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 3,727,268	3,626,495	3,656,667	3,682,565	3,558,043	3,420,835	3,678,929	3,457,917	3,410,365	3,312,139
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.

AUDUBON 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.

AUDUBON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY

YEAR ENDED JUNE 30, 2015

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

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

AUDUBON 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		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	-	\$ 208,214	\$ 208,214	0.00%	\$ 2,267,295	9.18%
2011	July 1, 2009	-	208,214	208,214	0.00%	2,230,208	9.34%
2012	July 1, 2009	-	208,214	208,214	0.00%	2,278,146	9.14%
2013	July 1, 2012	-	204,983	204,983	0.00%	2,258,883	9.07%
2014	July 1, 2012	-	552,440	552,440	0.00%	2,138,474	25.83%
2015	July 1, 2012	-	552,440	552,440	0.00%	2,171,619	25.44%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

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

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 21,363	118,706	140,069
Receivables:			
Property tax:			
Delinquent	750	-	750
Succeeding year	150,000	-	150,000
<b>TOTAL ASSETS</b>	<b>\$ 172,113</b>	<b>118,706</b>	<b>290,819</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 779	3,411	4,190
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	150,000	-	150,000
Fund balances:			
Restricted for:			
Management levy purposes	21,334	-	21,334
Student activities	-	115,295	115,295
Total fund balances	21,334	115,295	136,629
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 172,113</b>	<b>118,706</b>	<b>290,819</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
<b>REVENUES:</b>			
Local sources:			
Local tax	\$ 75,416	-	75,416
Other	6,278	299,779	306,057
State sources	33	-	33
<b>TOTAL REVENUES</b>	<b>81,727</b>	<b>299,779</b>	<b>381,506</b>
<b>EXPENDITURES</b>			
Current:			
Instruction:			
Regular	24,000	-	24,000
Other	-	307,500	307,500
Support services:			
Administration	47,131	168	47,299
Operation and maintenance of plant	53,578	-	53,578
<b>TOTAL EXPENDITURES</b>	<b>124,709</b>	<b>307,668</b>	<b>432,377</b>
Change in fund balances	(42,982)	(7,889)	(50,871)
Fund balances beginning of year	64,316	123,184	187,500
Fund balances end of year	\$ 21,334	115,295	136,629

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Other Capital Projects	Physical Plant and Equipment Levy	
<b>ASSETS</b>				
Cash and pooled investments	\$ 460,563	1,178,595	106,435	1,745,593
Receivables:				
Property tax:				
Delinquent	-	-	2,184	2,184
Succeeding year	-	-	226,673	226,673
Due from other governments	77,269	-	-	77,269
<b>TOTAL ASSETS</b>	<b>\$ 537,832</b>	<b>1,178,595</b>	<b>335,292</b>	<b>2,051,719</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 40,890	280,658	106,004	427,552
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	226,673	226,673
Fund balances:				
Restricted for:				
School infrastructure	496,942	897,937	-	1,394,879
Physical plant and equipment	-	-	2,615	2,615
Total fund balances	496,942	897,937	2,615	1,397,494
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 537,832</b>	<b>1,178,595</b>	<b>335,292</b>	<b>2,051,719</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AUDUBON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE 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	Other Capital Projects	Physical Plant and Equipment Levy	
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ -	-	223,072	223,072
Other	2,124	80	12,304	14,508
State sources	495,937	-	97	496,034
<b>TOTAL REVENUES</b>	<b>498,061</b>	<b>80</b>	<b>235,473</b>	<b>733,614</b>
<b>EXPENDITURES</b>				
Current:				
Support services:				
Instructional staff	-	-	48,698	48,698
Administration	-	-	995	995
Transportation	-	-	309,520	309,520
Capital outlay	169,255	720,379	149,413	1,039,047
<b>TOTAL EXPENDITURES</b>	<b>169,255</b>	<b>720,379</b>	<b>508,626</b>	<b>1,398,260</b>
Excess(Deficiency) of revenues over(under) expenditures	328,806	(720,299)	(273,153)	(664,646)
<b>OTHER FINANCING SOURCES(USES):</b>				
Transfer out	(295,133)	-	(206,796)	(501,929)
Proceeds from bus lease	-	-	309,520	309,520
<b>TOTAL OTHER FINANCING SOURCES(USES)</b>	<b>(295,133)</b>	<b>-</b>	<b>102,724</b>	<b>(192,409)</b>
Change in fund balances	33,673	(720,299)	(170,429)	(857,055)
Fund balances beginning of year	463,269	1,618,236	173,044	2,254,549
Fund balances end of year	<b>\$ 496,942</b>	<b>897,937</b>	<b>2,615</b>	<b>1,397,494</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 2,133	2,955	3,701	1,387
Speech	2,419	8,439	8,314	2,544
Instrumental Music	-	698	685	13
Cross Country	8	601	601	8
Athletics	27,537	109,671	105,492	31,716
Boys Basketball	2,218	3,022	3,762	1,478
Football	3,804	5,790	3,331	6,263
Youth Wrestling	5,513	1,661	3,060	4,114
Baseball	163	2,959	2,683	439
Boys Track	390	1,160	1,361	189
Boys Tennis	185	140	-	325
Boys Golf	102	-	-	102
Weight Room	234	240	195	279
Wrestling	2,122	2,134	3,393	863
Girls Basketball	1,133	2,697	1,878	1,952
Volleyball	2,539	3,039	3,849	1,729
Softball	375	1,373	785	963
Girls Track	146	1,221	1,106	261
Girls Tennis	-	839	589	250
Girls Golf	68	-	-	68
Greenhouse	2,090	3,821	3,585	2,326
Middle School Music Fund	-	567	567	-
Elementary Music	33	-	-	33
Annual	16,553	10,782	16,913	10,422
Concessions	5,269	33,729	33,222	5,776
Show and Jazz Choir	1,623	255	895	983
Restricted	168	-	168	-
Class of 2018	469	-	469	-
Class of 2016	-	15,261	10,629	4,632
Class of 2015	2,686	120	2,712	94
AFS Club	82	-	-	82
Art Club	420	-	-	420
Future Farmers of America	35,908	65,419	72,483	28,844
National Honor Society	331	1,423	1,754	-
Cheerleaders - Pep Club	937	4,934	4,639	1,232
Spanish Club	-	1,135	1,135	-
Dance Team	866	8,942	8,770	1,038
IT Club	1,035	253	459	829
Student Senate	3,074	4,388	4,322	3,140
JH Student Senate	551	45	95	501
Interest earned	-	65	65	-
<b>Total</b>	<b>\$ 123,184</b>	<b>299,779</b>	<b>307,668</b>	<b>115,295</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 3,005,390	3,107,221	3,552,545	3,543,043	3,259,614	2,818,020	2,610,627	2,464,714	2,458,077	2,332,913
Tuition	346,726	361,037	339,132	345,415	280,978	236,256	228,352	172,064	186,940	159,658
Other	419,468	477,225	364,049	421,225	419,438	390,897	359,020	361,219	490,793	647,225
State sources	3,323,128	3,317,202	2,705,871	2,834,567	2,864,518	2,585,243	3,180,560	2,916,835	2,997,279	2,839,688
Federal sources	192,245	219,396	201,275	274,979	247,768	596,511	155,376	160,938	171,087	196,279
<b>Total</b>	<b>\$ 7,286,957</b>	<b>7,482,081</b>	<b>7,162,872</b>	<b>7,419,229</b>	<b>7,072,316</b>	<b>6,626,927</b>	<b>6,533,935</b>	<b>6,075,770</b>	<b>6,304,176</b>	<b>6,175,763</b>
Expenditures:										
Current:										
Instruction:										
Regular	\$ 2,690,889	2,517,388	2,735,834	2,732,059	2,836,282	2,640,895	2,704,056	2,708,685	2,613,509	2,499,319
Special	589,677	667,726	641,882	528,592	503,902	494,804	554,424	457,369	358,343	407,126
Other	928,959	920,338	821,174	804,849	847,392	821,992	685,901	666,897	643,154	756,460
Support services:										
Student	194,943	190,862	172,361	191,651	210,420	173,376	227,786	171,316	211,402	186,747
Instructional staff	247,381	207,970	184,828	247,878	612,443	249,460	311,173	155,948	193,497	203,637
Administration	639,046	723,644	662,401	588,223	591,969	567,626	563,775	606,942	616,883	659,114
Operation and maintenance of plant	535,436	569,197	480,867	479,301	516,330	495,165	537,212	539,784	528,328	464,780
Transportation	531,598	286,378	225,955	227,317	236,291	350,217	195,892	187,056	412,105	164,608
Capital outlay	1,039,047	890,993	692,289	657,943	191,948	308,183	129,277	1,302,050	4,044,670	1,061,501
Long term debt:										
Principal	3,579,914	1,284,456	327,680	375,765	257,337	254,370	241,515	228,799	232,368	125,000
Interest and fiscal charges	268,393	253,846	163,786	168,688	173,404	180,225	192,330	203,796	203,727	190,794
Other expenditures:										
AEA flow-through	208,151	206,191	199,626	202,344	229,561	228,735	214,494	199,275	196,875	188,080
<b>Total</b>	<b>\$ 11,453,434</b>	<b>8,718,989</b>	<b>7,308,683</b>	<b>7,204,610</b>	<b>7,207,279</b>	<b>6,765,048</b>	<b>6,557,835</b>	<b>7,427,917</b>	<b>10,254,861</b>	<b>6,907,166</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Governmental Auditing Standards, issued by the Comptroller General of the United States, financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Audubon 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 January 19, 2016.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be a material weakness and a significant deficiency.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Audubon 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.

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

Audubon Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Audubon Community School District's responses were not subject 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 do not provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Audubon 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.

January 19, 2016  
Newton, Iowa

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

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

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

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

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

Response - We are researching and implementing additional procedures for this issue.

Conclusion - Response accepted.

I-B-15 Deficit lunch Account Balances - We noted during our audit that the Nutrition Fund is carrying several deficit student lunch account balances on the books.

Recommendation - The District should review their procedures and policies in regard to negative student lunch account balances. The District should try various collection techniques to collect the balance from families. Another option would be to give these families a free/reduce lunch application to see if they qualify.

Response - We are working to get these balances collected and will continue to distribute the free/reduced meal applications forms.

Conclusion - Response accepted.

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

II-A-15 Certified Budget - Expenditures for the year ended June 30, 2015 exceeded the certified budget amounts in the instruction, support services, non-instructional programs, other expenditures functional areas as well as in total.

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 reasons for exceeding the certified budget were from an adjustment for purchase of 3 buses, adjustment for our OPEB liability and a Department of Education adjustment for the retirement of a general obligation bond that should have been recorded in the prior year. We will be more vigilant in monitoring our expenditures and will amend our budget earlier in the year if needed.

Conclusion - Response accepted.

II-B-15 Questionable Disbursements - We noted no disbursement 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 transaction between the District and the District official 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 - We noted no variance in the basic enrollment data certified to the Iowa Department of Education.

II-H-15 Supplemental Weighting - No variances 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 being used to supplant rather than supplement other funds.

II-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable use of the statewide sales, services, and use tax revenue provided of Chapter

423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$ 463,269
Revenues:		
Sales tax revenues	\$ 495,937	
Other local revenues	2,124	498,061
		<u>961,330</u>
Expenditures/transfer out:		
School infrastructure construction	\$ 169,255	
Transfer to another fund:		
Debt service fund	295,133	464,388
		<u>464,388</u>
Ending Balance		<u>\$ 496,942</u>

II-M-15 Financial Condition - The School Nutrition Fund had a deficit unrestricted net position of \$26,132 at June 30, 2015. The District's governmental activities had a deficit net position of \$1,436,753 at June 30, 2015. The primary reason for these deficit net positions is due to the implementation of GASB Statement 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

Response – We will present this to the board of education to make sure the accounting change is understood.

Conclusion – Response accepted.